Investment
Saskatchewan

INVESTMENT SASKATCHEWAN • THE YEAR IN REVIEW 2005

Generating Value

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Message from the Board Chair

2005 was an important year for Investment Saskatchewan ("IS"). The Corporation's primary focus throughout the year was to continue its work in response to Cabinet's direction to seek the optimal model for private-sector management of the portfolio.

In 2003 Cabinet directed the IS Board to seek private sector management of the investment portfolio and to explore the options to achieve this end. The work that resulted was thorough, inclusive and transparent.

Ultimately the Board has proposed an approach which achieves greater ends than simply the outsourcing of investment management activities. It proposes to build and partially own an investment management company ("IMC") with "mind and management" based in Saskatchewan which, on its own merits, will have the opportunity to grow and operate nationally from its local roots.

Employees of the IMC will be offered the opportunity to buy shares in the IMC thereby ensuring an alignment of interests and a sharing of risk between all shareholders – Investment Saskatchewan and IMC employees. The IMC will not have any ownership interest in the assets being managed but rather, it will have a cost-based contract to manage investment assets on behalf of Investment Saskatchewan.

It is important to note that in addition to achieving other benefits, the recommended approach is also the least costly to the Province when compared to an outsourcing arrangement with existing third-party managers.

"In 2005 the Corporation focused on strengthening its core services."

The proposal to create an investment management company ("IMC") is based on the value of clear accountability for results according to industry standards. Simply put, it achieves a broad range of objectives.

When the Board completed its evaluation of portfolio management options, it recruited management to implement its vision. At the same time, it directed management to begin a process to develop deal flow for investment opportunities and to maximize returns on the existing portfolio of investments. While the order and relative importance of each of these activities depends on circumstances, they are each essential to the growth of the Corporation.

In 2005 the Corporation also focused on strengthening the framework under which its core services are delivered. It established and enhanced investment management policies and protocols, business development strategies, and financial and human resources policies. This will serve to strengthen operational practices in general and specifically management practices for new and existing investments.

All this was undertaken while the Board was crystallizing its recommendation to government in response to Cabinet's direction to explore options for private sector management.

I want to thank the executive and staff at Investment Saskatchewan for their commitment to the organization, and their diligent work during this period of change.

The organizational successes in 2005 are a testament to the hard work, skills and abilities of this small group of dedicated people. Together with the Investment Saskatchewan Board of Directors, this team will play an important role in the further success of Investment Saskatchewan in 2006.

Maurice Delage
Chair

Chief Executive Officer's Message

2005 was the second full year of operations for Investment Saskatchewan during which the organization strengthened the structural framework needed as a stand-alone entity.

Investment Saskatchewan's mandate is different than the pure economic development mandate of its predecessors. The Corporation was created to support increased economic activity by making and managing investments in businesses with operations in the Province, on commercial principles.

The Corporation's portfolio was created through the amalgamation of a number of differently mandated government entities, all with a focus on generating economic activity in the Province. IS manages this portfolio and makes new investments directly and through sub-managers in order to complement the services available in the private sector.

IS was established with an arms-length operating relationship from its shareholder and Cabinet delegated authority for all investment management decisions to its Board of Directors. Cabinet provided this authority in order to ensure that the organization is able to operate independently, make decisions based on solid business principles, leverage public capital with private sector capital and ensure that all investment decisions are made by those best qualified to make them.

The team at Investment Saskatchewan has been focusing on several distinct and interrelated priorities. Most importantly, we have worked to build sound principles of investment management and a well-defined governance and policy framework which guide all our activities. This better enables us to contribute in a meaningful way to our investee companies and to generate value for the shareholder by achieving positive results from the existing or "legacy" portfolio. In certain cases options for managing the legacy assets are restricted due to the contractual commitments in place.

Even with these restrictions the priority for managing the legacy assets is to maximize returns or, where returns are not anticipated, to minimize the potential for losses.

Equally important but with a more future oriented perspective, is the work undertaken to establish a proactive and enhanced business development strategy to communicate our mandate to the broader business community and raise the profile of the Corporation. This work has resulted in a significant increase in the number of deals considered by IS, compared to past years.

The IS team knows that in the private equity industry a strong track record is critical. Potential partners and investees consider the track record of investors and fund managers before doing business together. In order to add to our business development efforts and to increase deal flow, we worked very hard in 2005 to build on the base of fundamentals created the year prior and to generate the kind of trust and respect which opens the door to business opportunities. This process takes time and it is most satisfying to know that our efforts are paying off as evidenced by the interest and feedback from the business community.

"We know that in the private equity world a strong track record of results is critical to success."

Private equity investing, also referred to as venture capital, is a business of active ownership. This means that in order to maximize the potential for returns, active participation with investee management teams and boards of directors is required to ensure that all strategic decisions are made in the best interests of growing the company.

IS provides much more than just financial support to its investee companies. We start by understanding the perspective and aspirations of our investee companies. Certainly, financial support assists companies with start-up or expansion and we make sure, when we make an investment, that we will be able to assist the company with very important follow-on financing as it moves through its growth and development stage.

In addition to financing, we add value in other ways. Our participation on boards of directors is guided by a single-minded focus on the best interests of that company. In addition we can provide access to resources and expertise for our investees.

We are able to facilitate new relationships, knowledge transfer, development of further deals and strategic partnerships for our investees due to the variety of relationships we have developed in different sectors, industries and businesses. We are also able to provide our partners located outside of Saskatchewan, with important local information about the business climate and dynamics in the Province.

At Investment Saskatchewan we understand that if we are going to support increased economic activity in the Province, we must accept the higher degree of risk that often accompanies businesses looking for equity capital. To compensate, it is essential that this risk is matched with the potential for an appropriate return.

This year Investment Saskatchewan made considerable progress on a number of fronts, including its earnings. I am pleased and proud to report that in 2005 the majority of the Corporation's investees achieved stronger than projected performance and as a result, IS finished the year with better than anticipated earnings before provisions and writedowns.

On a non-consolidated basis, Investment Saskatchewan's earnings before provisions and writedowns at year end were $34.3 million, down from $55.4 million in 2004 and better than budget of $14.1 million. The Corporation finished the year with a strong cash position of $177.2 million, up $6.9 million from 2004, which was largely due to dividends and payments made by a number of investees including Meadow Lake OSB Limited Partnership ("ML OSB"), Prairie Ventures Limited Partnership ("PVF"), Centennial Foods Partnership ("Centennial"), Big Sky Farms Inc. ("Big Sky") and Saskferco Products Inc. ("Saskferco"). The Corporation's total assets at year end were $592.2 million, $412.7 million of which represented the investment portfolio.

As a result of a strengthened business development approach, we saw the beginning of an increase in deal flow and invested an additional $8.0 million in Saskatchewan-based companies including both new and follow-on investments. We are well positioned with a full pipeline of potential deals heading into 2006 – a pipeline which has increased 124% over the prior year.

> **"In the short two years since it was created, Investment Saskatchewan has made major strides on a number of important fronts."**

While the Corporation had a very good year on most fronts, its net earnings for the year (after provisions) were negatively impacted by the financial performance of one of its major investments.

Meadow Lake Pulp Limited Partnership ("MLPLP") fared poorly in 2005 due to a number of economic factors including a high Canadian dollar, low pulp prices, and increasing transportation and energy costs. To reflect the deteriorating financial position of the pulp mill, a loan loss provision of $109.7 million was taken against this investment. This resulted in a net loss in 2005 for Investment Saskatchewan of $87.7 million as compared to the net earnings in 2004 of $19.3 million.

In order to achieve cost savings and ultimately sell the business so its operations can continue, Investment Saskatchewan staff continue to work closely with the Meadow Lake pulp mill which was placed in Companies' Creditors Arrangements Act ("CCAA") protection at the end of 2005.

To fulfill a role which is more public policy oriented, Investment Saskatchewan held its first invitational Leaders' Forum in November 2005. The Forum was designed to provide our investees and partners with a best-in-class professional development opportunity.

Management teams and boards of directors of the companies in which we invest were invited to attend the event. It featured informative and stimulating presentations from an outstanding line-up of national business leaders. Feedback received from participants at the Forum indicated a significant increase in the overall satisfaction rating compared with the Investment Forums which were held in the past.

I would like to commend and thank the team at Investment Saskatchewan for their hard work and the commitment they have demonstrated in 2005.

In the short two years since it was created, Investment Saskatchewan has made major strides on a number of important fronts. I am looking forward to the work we will do and the projects we will undertake together in the coming year.

Janet Wightman
President and CEO

Corporate Profile

Investment Saskatchewan is a designated subsidiary Crown corporation under *The Crown Corporations Act, 1993* and an incorporated entity under *The Business Corporations Act (Saskatchewan)*. Formerly known as CIC Industrial Interests Inc. ("CIC III"), Investment Saskatchewan was established as a stand-alone entity in September 2003, wholly owned by Crown Investments Corporation of Saskatchewan ("CIC"), with an arms-length operating relationship to Government. In addition to its mandate, Investment Saskatchewan has developed a vision, mission and core set of values, to which its employees adhere in all business transactions.

MANDATE:

To enhance Saskatchewan's long term economic growth and diversification through the provision of investment capital and financing and to prudently manage portfolios of commercially viable investments.

VISION:

Investment Saskatchewan will be the acknowledged leader in managing the Province's investment assets.

MISSION:

To support the growth of the provincial economy by investing in Saskatchewan businesses and achieving a risk adjusted return on those investments.

VALUES:

Customer Service: We make it easy for our customers, investees, shareholders, stakeholders and internal colleagues. We go the extra mile to create a smooth experience for people dealing with us.

Honesty and Trust: We are honest, up front and honourable. We are transparent in that we say what we mean and mean what we say. We respect each other and are brave enough to have tough conversations in an appropriate manner. We believe that through trust we will achieve a safe environment conducive to open communications.

Integrity: We do the "right" thing – the "ethical" thing, which earns us the respect of people with whom we do business. We believe that integrity is foundational in business and that its absence will cause people not to deal with us.

Achievement: We understand that "big things" are expected of us and that in order to be a leader we must achieve. Our competence will be evident through our results. In order to "raise the bar" we will continue learning and developing our expertise and will keep current with industry trends.

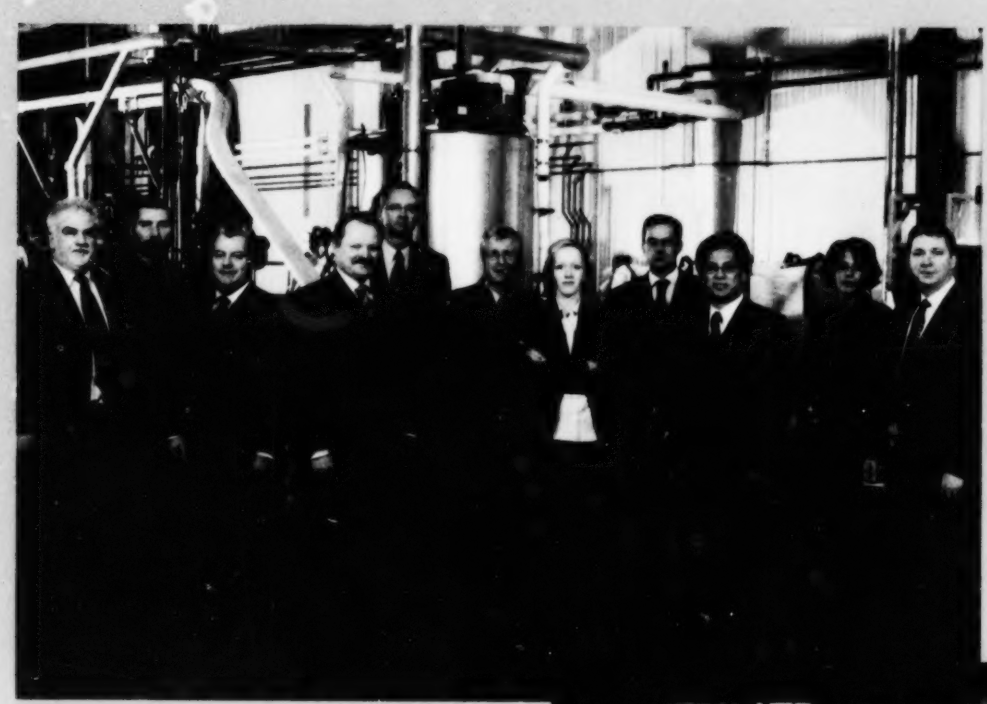
Accountability: We follow through on commitments, report on results achieved and are held responsible for what we say we will do and what we have done.

Innovation: We believe that innovation is key to getting deals done. Our innovation will be notable in how we source deals in Saskatchewan or deals which could be brought to Saskatchewan; structure deals and achieve win/win results; maximize the returns which can be achieved; and increase the depth of the investment management industry in the Province.

Teamwork: The value of working together is greater than the value of working individually. We share information, help and depend on each other which results in better service to our customers and a better work environment.

> *"Investment Saskatchewan plays a very important role in assisting new and expanding companies to build on their strengths, while contributing to Saskatchewan's economy. Because of their investment, we have grown and expanded our world class business and we've done it here, in Saskatchewan."*

(Joe Vidal, President and Chief Executive Officer, Bioriginal Food & Science Corp.)



Bioriginal Food & Science Corp.'s executive team: left to right – Bob Killam, Greg Withers, Arnold Cote, Joe Vidal, Gene Gerspacher, Jim Nugent, Nicole Bletsky, Johan Kamphuis, Manny Sabares, Lisa Hryciw, Rob Gilmore.

Jeanette Fusick, Lab Chemical Technologist tests products in Bioriginal's Saskatoon laboratory.

Bioriginal Food & Science Corp. ("Bioriginal") is the world's leading provider of innovative essential fatty acid ("EFA") solutions. Its innovative EFA solutions are used around the world in various market sectors such as nutraceuticals, functional foods, skin care, cosmetics, veterinary and animal feed, and over-the-counter pharmaceuticals. Bioriginal's distribution network spans over six continents, and has facilities in Canada, the United States, Europe and China.

The Year in Review

In 2005, Investment Saskatchewan built on the fundamentals put in place during the previous year. It expanded and strengthened its policies, protocols and strategies for investment management, business development, financial and human resources management.

OVERALL RESULTS

The majority of Investment Saskatchewan's investees had very strong performance resulting in stronger than projected equity earnings for IS in 2005.

On a non-consolidated basis, Investment Saskatchewan's equity investments provided $37.0 million in earnings.

Investment Saskatchewan received dividends totaling $22.5 million from its equity investments and $44.4 million in proceeds from the sale of investments and repayments.

PERFORMANCE MEASUREMENT

	2005	2004	2003
Dollars invested	8.0 M	8.7 M	29.7 M
Sale of investments and repayments	44.4 M	144.8 M	8.8 M
Dividends received	22.5 M	4.1 M	2.1 M

Investment Saskatchewan uses Internal Rate of Return ("IRR") which is the standard measure of performance for venture capital and private equity investors.

IRR measures the return based upon total cash invested and total cash returned to the investor through repayments, dividends, etc., and an estimated ending value, or terminal value. All of the aforementioned will be either actual or forecasted depending on whether or not the investment has been liquidated. If the investment has not been liquidated, the IRR will be based upon forecasted cash flows and terminal value. If an investment asset has been sold, the IRR is based on actual cash flows and the actual ending value resulting from the sale.

In order to ensure that our practices are consistent with industry standards, IS has established a standardized methodology for calculating IRR at the investment or project level as well as for the total portfolio. The results are reported annually in the balanced scorecard.

PORTFOLIO RESULTS

ML OSB, which operates an oriented strand board plant, had another strong year in 2005, and as a result it paid dividends totaling $21.1 million. In addition, PVF, Centennial and Big Sky all paid dividends to IS.

The nitrogen-based fertilizer plant owned and operated by Saskferco, also had a very successful year and provided $34.3 million in payments. In 2004, to facilitate a restructuring of Saskferco capital, shareholder retained earnings were effectively converted to shareholder debt. Therefore while the payments from Saskferco in 2005 are technically repayment of this shareholder debt, they are effectively a return on equity.

Big Sky's farrow-to-finish hog operation followed 2004 with another positive year in 2005, due to lower feed costs and higher than average hog prices. As a result the company made a $2.9 million loan repayment.

The Province invested $326.6 million into MLPLP since its inception in 1990. A number of factors have significantly affected the mill's operation including the high Canadian dollar, low pulp prices, and increasing transportation and energy costs.

Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, a provision of $109.7 million was taken on the pulp mill in 2005. An impairment in the value of the MLPLP investment was supported by a valuation prepared by an independent third party. This reduced the carrying value to $4.0 million as of December 31, 2005. In IS's third quarter results for 2005, it reported a carrying value written down to zero however, as the investment is classified as a discontinued operation at year-end, the fair value estimate includes the value of equipment and investment assets. This results in a year-end carrying value of $4.0 million.

NEW INVESTMENTS

The Corporation undertook a more proactive approach to identifying and sourcing investment opportunities. This resulted in $8.0 million of capital newly invested in Saskatchewan companies in 2005.

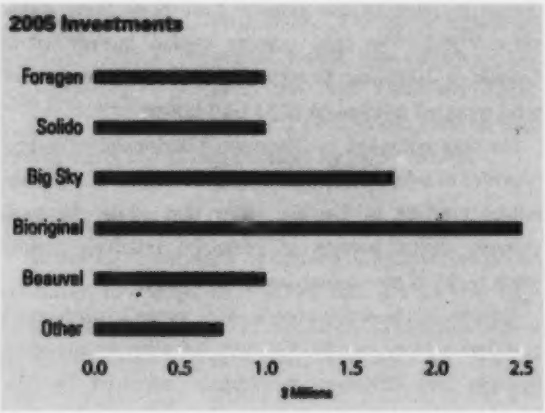
The Corporation made an initial investment of $1.0 million in Solido Design Automation Inc ("Solido"). Solido is an early-stage start-up company in the electronic design automation industry. The company is working on software solutions which will optimize the design of integrated circuits and maximize the number of functional chips produced in a manufacturing run. Additional disbursements are expected to be made in 2006 as Solido advances its business plan.

Investment Saskatchewan acquired $2.5 million of equity in Bioriginal. Bioriginal produces innovative EFA solutions which are used around the world in nutraceuticals, functional foods, skin care products, cosmetics, animal feed, veterinary products and over-the-counter pharmaceuticals.

In addition, the Corporation advanced the first half of a $2.0 million loan to Beauval Forest Industries Inc. ("Beauval"). The funding will be used for both the construction of a post plant and the construction of a sawmill that will produce hardwood and softwood timbers.

Follow-on disbursements were made in 2005 to Foragen Technologies Limited Partnership ("Foragen") ($1.0 million) and Big Sky ($1.8 million exercise of warrants) to support the continued growth of these existing investments. Additional disbursements in Investment Saskatchewan's small portfolio were also made through their respective sub-managers.

These new investments when added to those made in the past, total $1[illegible]7 million of investments since the Corporation's inception. These investments have leveraged a corresponding $26.9 million of private sector capital for the businesses in which IS invested.



FUTURE OUTLOOK

Three significant files were in transition during 2005 and have subsequently been sold. These exits occurred in the first quarter of 2006 and will be fully explained in next year's quarterly and annual reports. The 2005 financial statements identify the following as subsequent events:

- a gain on the sale of one portion of Centennial – New Food Classics;
- a gain on the sale of Hypor to Nutreco International; and
- a recovery on the investment in Pangaea Systems Inc., which was written down in 2004.

The Corporation anticipates disposing of its interests in Crown Life Insurance Company and MLPLP in 2006.

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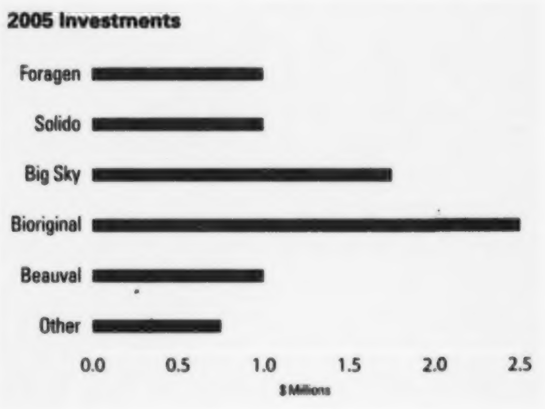
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Operating Environment

INVESTMENT ENVIRONMENT

2005 was another strong year for Canada's venture capital industry. Trend lines identified by the Canadian Venture Capital and Private Equity Association show the dollars invested by the industry have been fairly stable since 2004. The total venture capital investment in Canada in 2005 was $1.829 billion, similar to the 2004 total reported investment of $1.836 billion.

Statistics compiled by Thomson Macdonald, a leading provider of information on the venture capital and private equity markets in Canada, show that while the total venture capital investment remained relatively stable, some regional investment levels fluctuated.

Nationally, investment levels were virtually unchanged and deal activity rose by 5%. New investments increased by 6%, and follow-on investments increased by 5%. Thomson Macdonald statistics show that in western Canada $332 million was provided to 115 companies in 2005 which is on par with activity in 2004.

Saskatchewan currently receives approximately 2% of the total dollars invested nationally by venture capital firms. In 2005, 17 companies received $30.8 million in venture capital investments, on par with the $34.4 million invested in 19 companies in 2004. Of the total dollars invested in 2005, 43% were new investments and 57% were follow-on investments. This statistic reflects how important it is for investors to be able to support investee companies through subsequent growth and development stages.

In 2005, private equity investments in Saskatchewan were distributed as follows:

	$ invested (2005)	$ invested (2004)
Life Sciences sector	1.7 M	7.8 M
IT sector	7.6 M	0.1 M
Other technologies	2.7 M	0.7 M
Traditional	18.8 M	25.8 M
TOTAL	30.8 M	34.4 M

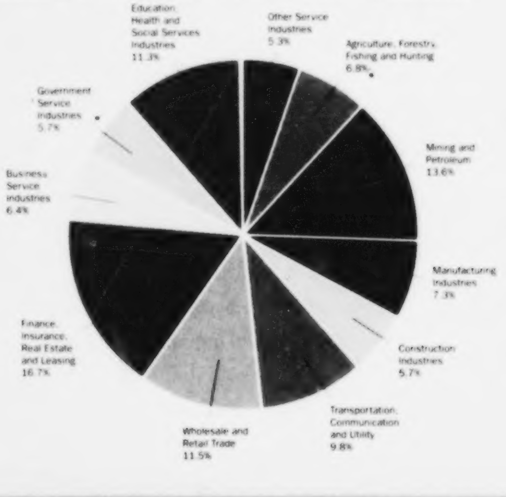
ECONOMIC CLIMATE

Investment Saskatchewan is greatly impacted by provincial, national and global economies because of the composition of its portfolio and the heavy reliance on commodity based industries. As a result the Corporation monitors these economies closely.

The National Bank reports that the world economy grew by 4.3% in 2005. Further, it indicates that 2005 was a good year for the Canadian economy, which grew by 2.9% over the growth rate of 2004. This economic growth was spurred on by increases in net exports, consumer spending and business investment. The Bank estimates that in 2005 the Saskatchewan economy grew by 3.3%, and ranked as the 3rd highest growth rate in Canada.

According to Statistics Canada's revised estimates, Saskatchewan's Gross Domestic Product ("GDP"), adjusted for inflation, was $33.2 billion in 2004. In the last decade (from 1994 to 2004), Saskatchewan's real GDP grew, on average, at a rate of 2.1% annually. Over the same period, Saskatchewan's real GDP per capita increased at an average annual rate of 2.2% and Saskatchewan's productivity (real GDP per employed person) was second highest among the 10 provinces (1.5% a year).

SASKATCHEWAN 2004 REAL GROSS DOMESTIC PRODUCT, AT BASIC PRICES, BY INDUSTRY



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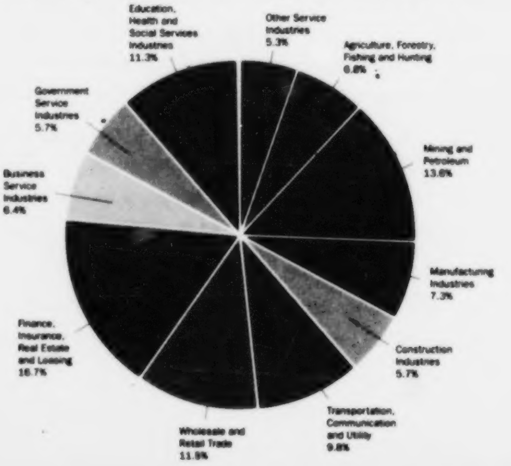


COMMODITIES

Commodity prices in Canada were up substantially in 2005 over 2004. According to the Bank of Montreal, the commodity price index rose by more than 30% in 2005.

This increase was largely due to the oil and gas sector. Oil prices increased significantly between late 2003 and the end of 2005. The price of West Texas Intermediate ("WTI") started the year at $42 USD per barrel and reached a high of $70 USD per barrel in September. According to the Energy Information Administration ("EIA"), the wellhead price of natural gas averaged $7.51 USD per thousand cubic feet ("MCF") in 2005, up more than 37% from the $5.46 USD averaged in 2004. The EIA projects that oil and gas prices will continue to increase through 2006 and begin to weaken in 2007.

The pulp and paper sector of the forest products industry faced significant challenges in 2004 and 2005.

Increasing energy costs have had an impact on profitability for some sectors within Saskatchewan, most notably forest products and fertilizer.

Commodity prices in Canada were up substantially in 2005 over 2004.

The metals and minerals sector also achieved a 21% price gain over 2004. However, prices for forest and farm products remained flat. In 2005 forest product prices rose just 1.8% while the price of agricultural exports increased by just 0.9% and the price of pulp and paper declined. This overall level of price growth is forecasted to stabilize in 2006.

The pulp and paper sector of the forestry industry faced significant challenges in 2004 and 2005. Mills across the country have been shut down due to lack of profitability. The most significant factors facing this industry have been the high Canadian dollar, changing production patterns, high energy costs and falling demand for key products.

THE CANADIAN DOLLAR

According to the Bank of Canada, the Canadian dollar continued to strengthen in 2005, hitting a 14 year high in December at almost $0.86 USD. While this was a substantial increase, the rate of growth slowed in 2005 to just 3% compared with 7% in 2004 and 18% in 2003. The strong Canadian dollar has had a negative impact on some exporting sectors within the Province.

> *“Thanks to Investment Saskatchewan and our other investors, Solido Design Automation Inc. has been able to build a team of high caliber electrical engineers, engineering physicists and computer scientists in Saskatoon developing a product for customers around the world.”*

(Amit Gupta, President and CEO, Solido Design Automation Inc.)

Solido Design Automation Inc.'s executive team: left to right – Trent McConaghy, Chief Technology Officer; Amit Gupta, President & CEO

Solido Design Automation Inc. (“Solido”) is developing software in the electronic design automation industry. Solido is focused on providing software solutions to designers of integrated circuit semiconductor chips.

Solido's software designers (left to right) Kristopher Breen, David Callele, Charles Cazabon discuss software solutions.

Investment Philosophy

Investment Saskatchewan supports the provincial economy by investing in companies with operations in the Province. IS works to complement the existing capacity of local private sector fund managers by ensuring that sufficient capital is available to support companies with viable business plans.

When IS was created the Government acknowledged that given the limited capacity of the private equity industry in the Province, there continued to be a role for public capital to augment the capacity of the private sector firms.

IS is able to provide capital for the full spectrum of investment needs. It will consider early stage, start-up, expansion, management buyout, restructuring, succession or turnaround operations. Typically, most investment firms prefer to take the later stage opportunities which generally involve less risk.

IS can employ a wide variety of debt and equity instruments on its own or with partnership syndicates including:

- equity (common and preferred shares);
- near equity (convertible instruments); and
- mezzanine debt (subordinated debt, etc.).

In circumstances where appropriate security and debt service capacity exists, Investment Saskatchewan may consider provision of senior debt as part of an overall financing structure. However, senior debt is readily available from other financial institutions and as a result, it will be considered only when it is an integral part of an overall debt and equity package.

In terms of the size of investment, IS provides capital for the full range of investments, from small to large. However, it restricts its investment activity for smaller deals (< $3 million) to participation in a fund-of-funds where capital is deployed to other investment funds who specialize in smaller or highly specialized investments. In this way, the Corporation has built relationships with other fund managers in the private sector both locally and nationally. IS has contractual relationships with the following local fund managers:

- PFM Corporate Finance Consulting Inc.;
- Westcap Mgt. Ltd.; and
- Crown Capital Partners (through HARO/Crown Life).

Investment Saskatchewan's direct investments are generally targeted to medium and larger projects which have financing needs greater than approximately $3 million.

TARGET SECTORS

IS targets certain sectors for investment activity to support the Province's overall economic development strategy although it will consider opportunities in all sectors. The target sectors include:

Agri-value and Agri-related

- food, crop and beverage processing (e.g. frozen food processing, specialty crop processing);
- meat processing and production (e.g. pork and poultry processing and production);
- nutraceuticals (e.g. health food, "natural products"); and
- agricultural equipment (e.g. power train equipment).

Advanced Technology

- agricultural biotechnology (e.g. new seed and bio-inputs, new oils, improved livestock feed, biodegradable plastics, fermentation); and
- life sciences (e.g. new pharmaceuticals, health research, nano technology).

INVESTMENT STRATEGY

Information Technology

- electronics and instrumentation (e.g. Canadian Light Source Synchrotron-enabled research and technology); and
- bio-products and processing (e.g. agriculture and health care enabling technology).

Environmental Technology Commercialization

- renewable energy technology;
- ethanol production; and
- waste management systems.

Forestry

- engineered wood products;
- value-added wood fibre processing; and
- lumber mills.

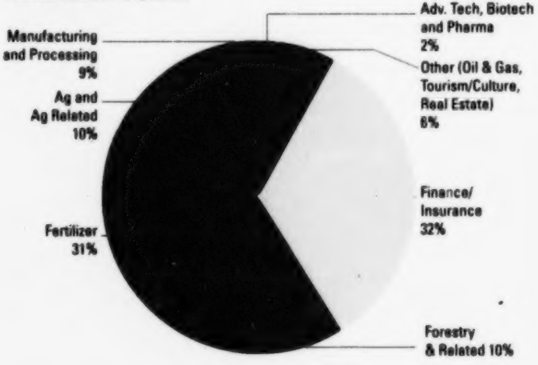
Resource Extraction

- minerals extraction and processing.

Energy

- development, processing, and use of the resource base including heavy oil, natural gas, wind and solar.

Portfolio by Industry
At December 31, 2005



INVESTMENT POLICY

Before it invests, Investment Saskatchewan undertakes due diligence to ensure the investment opportunity has an appropriate value proposition. Among other things it requires:

- a thorough and complete business plan that supports a commercially viable business and a projected return that is commensurate with its risk;
- evidence of a strong management team with a balance of skills and competencies;
- a projection of a growth in earnings based on a past track record of solid financial performance or on the likelihood of new market successes for new or expanding businesses;
- demonstration of operational practices that are efficient and in compliance with regulatory and environmental requirements;
- reasonable opportunities for exit after an appropriate holding period (dependent on the particular investment); and
- a risk adjusted return.

For new investments IS expects a return that is consistent with industry standards for the level of risk, the stage of investment, the type of investment (ie. debt or equity) and the industry sector. The expected return on the Corporation's existing portfolio however, is reflective of historical decisions, contractual restrictions and forecasts for future growth.

The IS team makes qualified, knowledgeable decisions every day. It takes educated risks and utilizes experience and industry knowledge to mitigate those risks, with the objective of producing an appropriate financial return on investments. As part of Investment Saskatchewan's risk management policies, regular assessments of current investments are performed to determine the appropriateness of the carrying value of those investments, and to take appropriate provisions and writedowns as necessary.

Investment Saskatchewan generally does not enter into direct investments that provide the Corporation with an ownership position of greater than 40%, or into direct investments that are less than $3 million of total anticipated need. The Corporation seeks to establish partnerships and lever third party investment capital.

The Corporation will not, in any case, accept a return profile inferior to other syndicated partners purchasing the same class of securities, or accept rights inferior to normal business practice for a given level of ownership. However, if there is a specific public purpose investment directive received from the Government, the Corporation would segregate such an investment and manage it separately to the specifications established explicitly for that investment.

Investment Portfolio

DIRECT INVESTMENTS

The Corporation has a significant investment portfolio with a total book value at December 31, 2005 of $412.7 million. The portfolio includes 19 investments and/or loans which are managed directly by IS staff.

Including investments made by its predecessor CIC III since 2000, and investments made by IS since inception, the Corporation has directly invested in 12 new projects totaling $99.9 million. These investments have leveraged $286.4 million in corresponding private sector capital.

Approximately 83% of the total book value of Investment Saskatchewan's portfolio is made up of the five largest direct investments: HARO; Saskferco; ML OSB; Big Sky; and Centennial. Two of these investments, HARO and Saskferco, make up 63% of the total book value.

Since the year 2000, $51.6 million has been committed to 4 venture capital funds varying in size from $42 million to $54.7 million. This has leveraged $136 million in private sector commitments.

FUND-OF-FUNDS

Since the year 2000, $51.6 million has been committed to four venture capital funds varying in size from $42 million to $54.7 million. This has leveraged $136 million in private sector commitments.

The majority of these funds have conditions that encourage or require certain levels of capital to be invested in either Saskatchewan-based businesses or in entities that plan to locate significant operations in the Province.

IS is an investor in each of the following funds each of which are managed by third-party fund managers:

- Prairie Ventures Limited Partnership
- Western Life Sciences Venture Fund Limited Partnership
- Primaxis Technologies Ventures Inc.
- Foragen Technologies Limited Partnership

SMALL PORTFOLIOS

To assist in strengthening the Province's capacity to manage venture capital, Investment Saskatchewan outsourced management of its small investment portfolio in 2003. This portfolio includes approximately 50 individual investments of less than $3 million, with a total book value of $8.4 million. The portfolio has been split and is now being managed by two Saskatchewan-based private sector fund managers:

- PFM Corporate Finance Consulting Inc.; and
- Westcap Mgt. Ltd.

Many of these investments originated from the former Saskatchewan Opportunities Corporation (SOCO), and Saskatchewan Economic Development Corporation (SEDCO) investment portfolios.

OVERALL PORTFOLIO

The table on the following page identifies the makeup of the Corporation's investment portfolio, the book values at December 31, 2005, and the accounting treatment for each investment.

INVESTMENT PORTFOLIO

Investment	**Book Value at Dec. 31, 2005 $ millions**	**Accounting Treatment**		
		Cost Accounting	**Equity Accounting**	**Consolidated**
Equity				
Big Sky Farms Inc.	26.5		✓	✓
Bioriginal Food & Science Corp.	4.2		✓	
Centennial Foods Partnership	21.8		✓	✓
HARO Financial Corporation	130.1		✓	✓
Hypor	12.8		✓	✓
Investment Saskatchewan Swine Inc.	0.1		✓	
Meadow Lake OSB Limited Partnership	35.0		✓	
Meadow Lake Pulp Limited Partnership	4.0		✓	✓
Premium Brands Income Fund	11.6	✓		
Saskatchewan Valley Potato Corporation	1.3		✓	✓
Saskferco Products Inc.	129.5		✓	
Solido Design Automation Inc.	1.0	✓		
Star Bio Investments Inc.	0.1	✓		
Debt				
Beauval Forest Industries Inc.	1.0	✓		
Canadian Western Bank	3.1	✓		
Great Western Brewing Company Limited	0.5	✓		
Kitsaki/Zelensky Limited Partnership	0.8	✓		
Lease Options	0.9	✓		
Minds Eye Entertainment Ltd.	0.0	✓		
Pangaea Systems Inc.	1.0	✓		
Fund-of-Funds				
Foragen Technologies Limited Partnership	2.2		✓	✓
Prairie Ventures Limited Partnership	10.6		✓	✓
Primaxis Technology Ventures Inc.	1.3	✓		
Western Life Sciences Venture Fund Limited Partnership	1.7		✓	
Outsourced Portfolios				
PCF Investments	4.8	✓		
WTC Investments	3.6	✓		
Properties	3.2			
Total	412.7			

> *“Big Sky is now ten years old. Investment Saskatchewan became part of our investment group in 2000. Since that time we have been able to grow by 500%. Investment Saskatchewan has provided Big Sky with not only investment, but participates on our Board of Directors and has helped to provide stability and leadership every step of the way.”*

(Florian Possberg, President and CEO, Big Sky Farms, Inc.)

Big Sky Farms Inc.'s executive management team: left to right – Daryl Possberg, Michael Deutscher, Al Lanfermann, Casey Smit, Florian Possberg, Denys Roobidoux, and John LaClare.

Big Sky Farms Inc. is one of the three largest hog producers in Canada. The company entered the hog production market in 1995 with a clear objective: to own and operate fully modern, farrow-to-finish hog production facilities in Saskatchewan using the most advanced production methods available. Big Sky's commitment is to produce the highest quality pork in an environmentally sustainable way for consumers around the world.

Swine technician Kara Bidfell and unit manager Darren Poppel examine a piglet at Big Sky's Merkosky breeding unit.

Business Development

In order to build deal flow, it was necessary to first build awareness of the Corporation with the private equity and investment community both locally and nationally. The Corporation's CEO and members of the investment team made a variety of presentations locally and in Vancouver, Calgary, Winnipeg and Toronto. Business development presentations were also used to profile the Province's economic strengths, the benefits of locating in Saskatchewan, and the mandate and benefits of partnering with IS. As a result of this significant effort, deal flow has increased since 2004 by 124%.

In addition, staff of IS have proactively met with countless numbers of businesses who are either located in Saskatchewan or who might be considering relocating operations or acquiring businesses in the Province. IS has also made initial efforts to build relationships in the intermediary community - law firms, accounting firms and consulting firms.

INDUSTRY SPONSORSHIPS

To enhance its business development efforts, IS provided support to industry associations and events through a variety of sponsorships including:

- Banff Venture Forum;
- Canadian Financing Forum;
- Saskatchewan Food Processors Association Industry Conference;
- STEP – Saskatchewan Trade and Export Partnership; and
- ABEX awards.

MEDIA AND PUBLIC RELATIONS

The Corporation developed editorial content for a special investment supplement which was placed in Saskatchewan's two largest daily newspapers and strategically placed advertisements and articles in a range of industry publications to build awareness with its various audiences.

LEADERS' FORUM

In the fall of 2005 Investment Saskatchewan hosted a Leaders' Forum for current and potential investees, partners and intermediaries. The forum profiled renowned speakers who addressed topics relevant to forum participants.

Presentations included:

- an economic overview of Canada and Saskatchewan made by a representative from the Bank of Canada;
- a review of recent and projected trends in private equity in Canada made by a senior executive with Thomson Macdonald;
- a discussion on the balance between technical accounting, regulatory requirements and strategic messaging in good financial accounting, made by the Chief Operating Officer of RBC Financial Group;
- a discussion on methods to strengthen and enhance governance practices to address accountability demands and drive improved performance, made by a professor and recognized author from York University;
- a discussion on opportunities for identifying and capitalizing on creating and realizing shareholder value, made by a senior executive with Veracap Corporate Finance; and
- an overview of leading human capital management practices that assist in creating vibrant organizations that also attract and retain the best talent, made by a senior executive with Knightsbridge Human Capital.

The event provided excellent business development and networking opportunities for forum participants. It was very well attended and received very positive feedback from participants.

COMMUNITY INVESTMENT

In 2005 the Corporation provided support to numerous charitable causes within Saskatchewan including among others:

- Lieutenant Governor's Celebration of the Arts;
- Government House Foundation;
- Hospitals of Regina Foundation;
- Junior Achievement of Canada;
- Saskatchewan Visible Minorities Employee Conference;
- United Way;
- Aboriginal Government Employees Network; and
- Heart and Stroke Foundation.

Balanced Scorecard

Investment Saskatchewan uses an annual performance management model which begins with the Board of Directors and includes the involvement of all employees. The Balanced Scorecard is the framework used by the organization to set objectives and measure overall business performance. Early in the development of Investment Saskatchewan, the Board of Directors identified realistic expectations, a limited number of key priority areas, and clear measurement as critical factors. Investment Saskatchewan is committed to developing targets that best reflect the mandate and activity of the Corporation as it evolves.

Both the 2005 and 2006 balanced scorecards are organized into four key quadrants:

Customer and Stakeholder;
Financial;
Public Purpose; and
Human Resources and Organization.

2005 BALANCED SCORECARD

The 2005 balanced scorecard identifies the objectives, measures, and actual results (non-consolidated) for the year as compared to the target established at the outset of the year. Where the actual results vary significantly from those targeted, an explanation regarding the variance is provided.

Customer and Stakeholder

Objectives	Measures	2005 Actual	2005 Target
To achieve a high level of investee and partner satisfaction	Positive approval rating by investees/partners	Survey not undertaken in 2005 [1]	80%
To lead in accountability and public reporting	Compliance with reporting requirements	100%	100%
To protect personal and sensitive commercial information	Implementation and compliance with privacy plan	Advanced [2]	Complete action plan

[1] Investment Saskatchewan works directly with its investee companies through Board involvement and regular interaction with management on an on-going basis, therefore no investee satisfaction survey was undertaken.

[2] Privacy plan development advanced significantly in 2005 and was near completion at year-end.

BALANCED SCORECARD

Financial			
Objectives	**Measures**	**2005 Actual**	**2005 Target**
To generate an appropriate return to the shareholder	Dividend to CIC	—	—
	Net (loss) income	$(87.7)M (3)	$14.1M
	Cash provided by operating activities plus cash provided by investing activities	$55.5M	$(25.2)M
	Self-supporting debt as a % of total debt (GRF debt)	100%	100%
To earn a return on the new portfolio commensurate with risk	IRR – New portfolio *	n/a – no divestitures to date	20%
To maximize the performance of the existing portfolio relative to its original expectation of return	IRR – Existing portfolio *	n/a – no divestitures to date	3.2%
To grow the investments portfolio	$ new investments	$8.0M (4)	$50M

*over life of investment portfolio

(3) Net loss for the year varied significantly from budgeted net earnings due to the loan loss provision of $109.7 million for the MLPLP investment. Net earnings before provisions and writedowns on investments totaled $34.3 million for the year ended December 31, 2005, $20.0 million above budget. The main reason for this increase from budget is improved earnings contributions from equity based investments including Meadow Lake OSB Limited Partnership, Big Sky Farms Inc., Centennial Foods Partnership, and Saskferco Products Inc. Due to a change in accounting policy during 2005, $10.3 million in equity earnings from HARO Financial Corporation was recognized (budget of nil).

(4) New investment levels are based upon the commercial opportunities that arise. A number of strong potential investments were in the pipeline at year-end that are expected to give rise to disbursements in 2006, subject to successful completion of due diligence.

BALANCED SCORECARD

Public Purpose

Objectives	Measures	2005 Actual	2005 Target
To increase private sector capital invested in Saskatchewan	Ratio of IS:Partner Capital invested	$1:$1.87	$1:$1.50
	# syndicate partners	2 (5)	6
To grow the private sector investment industry in Saskatchewan	# investment management companies in Saskatchewan	5	5
	$ under management by SK fund managers	$562M (6)	$745M
To protect the environment	Environmental reviews part of investment decisions	100%	100%

(5) The number of new syndicate partners did not increase as expected in 2005 due to the lower number of new investments completed.

(6) The target for dollars under management included the expected creation of an IMC in 2005 which is currently awaiting approval.

Human Resources and Organization

Objectives	Measures	2005 Actual	2005 Target
To operate with leading practices in organizational and employee development	Employee satisfaction	74.3%	75.0%
	Training and development as % of salaries	3.4%	3.0%
To support the training and development of new entrants to the labor force	Participation in student programs	4 workforce entrants (7)	2
To have a representative workforce	Women in non-traditional roles	50.0%	50.0%
	Aboriginal people	6.3% (8)	10.0%
	People with disabilities	6.3%	5.0%
	Visible minorities	0% (8)	5.0%

(7) Investment Saskatchewan employed four work force entrants in 2005 which included two new university graduates and two recent high school graduates hired on a casual work experience basis.

(8) Investment Saskatchewan strives to have a representative workforce however with its small staff, one individual carries a 6.3% impact.

2006 BALANCED SCORECARD

Investment Saskatchewan's 2006 Balanced Scorecard builds on the work done by the Corporation in 2005, and includes measures that target improved performance by the existing portfolio, strong performance by the new investments, and a higher level of investment activity.

Customer and Stakeholder

Objectives	Measures	2006 Target
To proactively source and invest in companies which will increase economic activity in Saskatchewan	Deals considered	50
	Deals closed	4
	[illegible]w investments	$50M
To protect personal and sensitive commercial information*	Implementation and compliance with privacy plan	Full compliance

Financial

Objectives	Measures	2006 Target
To earn a return on the new portfolio commensurate with risk and to maximize the performance of the existing portfolio	Net income	$38.5M
	Self-supporting debt as a % of total debt	100%
	Projected IRR – Existing portfolio (weighted aggregate)	3.7%
	Projected IRR – New Investments (weighted aggregate)	Equal to projected IRR at time of investment
	Realized gain over pre-disposal forecasted IRR	Equal to forecasted IRR
	Dividend to CIC *	$8.5M

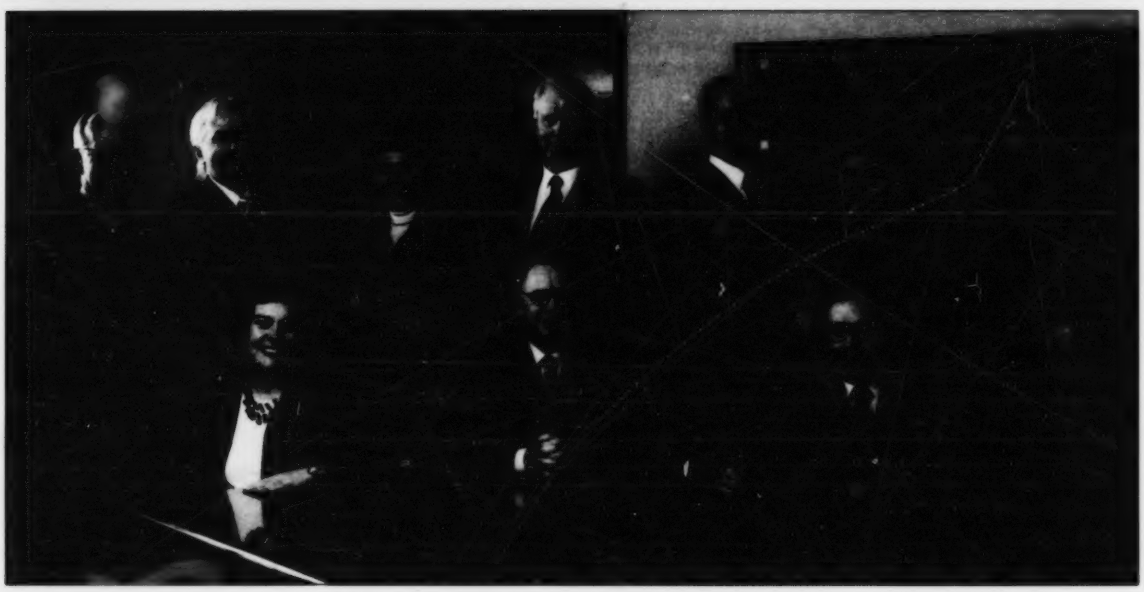
BALANCED SCORECARD

Public Purpose		
Objectives	**Measures**	**2006 Target**
To increase the number of companies in the private sector investment management industry in Saskatchewan	# investment management companies in Saskatchewan	6
To increase private sector capital invested in Saskatchewan enterprises	Ratio of IS: Partner Capital invested	$1:$1.50
	# syndicate partners	7
To protect the environment *	Environmental reviews part of investment decisions	100%

Human Resources and Organization		
Objectives	**Measures**	**2006 Target**
To attract, retain and motivate our staff to achieve *	Employee engagement	80%
	Training and development as % of salaries	2.5%
	Work training for new work force entrants	2
	Women in non-traditional roles	50%
	Aboriginal people	10%
	People with disabilities	5%
	Visible minorities	5%

*in support of Crown Sector direction

Board of Directors



Sitting (left to right): Anne Parker; Gord Tallman; Ray McKay.
Standing (left to right); Don Black; Don Wilson, Corporate Secretary; Susan Milburn, Vice-Chair;
Bob Reid; Neil Henneberg, Board Secretary; Paul Martin; Maurice Delage, Chair.

The Board is responsible for establishing the Corporation's overall strategic direction as well as for ensuring the direction is operationalized through the organization's business plans.

The Board has, in the interests of the shareholder, the authority and obligation to protect and enhance the assets of the Corporation. It actively carries out this responsibility with delegated authority from Cabinet for all investment management decisions.

Investment Saskatchewan uses an Annual Performance Management model which starts with the Board. It establishes the broader organizational strategy, key performance drivers and follows with the participation and input of all employees in the development of the corporate strategic plan.

The Board of Directors evaluates its performance on an annual basis to ensure that it and its committees are operating effectively.

Principal duties of the Board in fulfilling its stewardship obligations and responsibilities are:

- Setting the long-term strategic direction of the Corporation;
- Working with management to identify risks to the Corporation, and creating policies and procedures to manage those risks;
- Approving annual plans and performance targets;
- Monitoring the Corporation's performance against its strategic plan;
- Ensuring compliance with the Corporation's statutory responsibilities;
- Ensuring the integrity of the Corporation's internal controls and financial systems;
- Adopting an effective policy framework for HR, Finance, Administration and Investment operations;
- Recruiting and reviewing performance of the CEO;
- Succession planning; and
- Establishing compensation systems for the CEO and staff.

Board Committees

The Board has created five committees to assist it in carrying out its duties. The committees operate under specific terms of reference, report regularly to the Board and submit recommendations to the entire Board for approval.

AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee monitors the financial performance of the Corporation. It recommends approval of significant accounting policies, reviews internal controls, risk management practices, and the regulatory and financial reporting requirements.

The Committee reviews and provides recommendations on key financial indicators, capital and operating budgets, and quarterly and annual financial statements. It oversees the external auditor's involvement, reviews directors' and CEO's expenses, and reviews the operating costs of the Board.

Members: Susan Milburn, Chair; Paul Martin; Gord Tallman; Ray McKay

INVESTMENT COMMITTEE

The Investment Committee reviews and recommends approval of investment policies, approves new investments within delegated authorities or recommends investments to the full Board for approval.

The Committee reviews the performance of Investment Saskatchewan's portfolio and its portfolio managers.

Members: Don Black, Chair; Susan Milburn; Anne Parker; Bob Reid; Gord Tallman

GOVERNANCE AND HUMAN RESOURCES COMMITTEE

The Governance and Human Resources Committee monitors the functioning of the Board against current best practices in corporate governance and provides recommendations to the Board on Board and committee size and membership; director education; and Board and director performance evaluations.

The committee is also responsible for the annual CEO performance review, succession planning policies, and recommending approval of overall human resources and compensation policies and programs. It also serves as the Ethics Advisor to individual Board members, and to the Board as a whole.

Members: Bob Reid, Chair; Ray McKay; Anne Parker

COMMUNICATIONS AND PUBLIC RELATIONS COMMITTEE

The Communications and Public Relations Committee reviews management's communications framework, priorities, general themes and plans. It also reviews the policy and procedures for publicly released information and the annual report and strategic and structured communications programs.

Members: Paul Martin, Chair; Anne Parker

TRANSITION COMMITTEE

This interim committee was established to oversee the process regarding the creation of an IMC. Membership includes directors of the current Investment Saskatchewan Board who will remain on the Investment Saskatchewan Board following the creation of the IMC and who do not intend to ultimately serve on the Board of the IMC, thereby ensuring no perceived conflicts of interests.

Members: Susan Milburn, Chair; Don Black; Gord Tallman

Director Biographies

Maurice Delage – Board Chair
Regina, Saskatchewan

Mr. Delage is Chair of the Board of Directors of Investment Saskatchewan. He is the former President and Chief Executive Officer of Aventis Crop Science in North America, a global agri-business company focused on high technology crop protection, animal health, seeds and biotechnology. As a member of the global management boards of Aventis, AgrEvo, Hoechst Celenese, and Hoechst Canada, his emphasis was on capital investment, business development, strategic planning, mergers and acquisitions. Mr. Delage retired from Aventis in 2001.

Susan Milburn – Vice-Chair
Saskatoon, Saskatchewan

Ms. Milburn is Vice-Chair of the Board of Directors of Investment Saskatchewan. Currently Saskatchewan Vice-President of Raymond James Ltd., a full service investment dealer, she has worked in the investment industry for over 25 years.

Ms. Milburn is Chair of the Investment Dealers Association – Saskatchewan District Council, past Chair of the Board of SaskEnergy, and serves on the Board of the Saskatoon Community Foundation. She has past affiliations with the University of Saskatchewan Alumni Association, and Crown Life Pension Plan as an independent trustee.

Donald W. Black, CM, SOM
Regina, Saskatchewan

Mr. Black is the Chair of Greystone Managed Investments Inc., an independent investment counselling firm, majority owned by its employees, and ranked as Canada's eighth largest pension investment manager.

Mr. Black has nearly 40 years experience in investment, finance and financial services, the majority of which has been as a chief executive officer. During his career he has served as a director of a number of public and private companies, industry associations and charitable organizations. Currently he is a director and past chair of the board of the Canadian Scholarship Trust Foundation; and a public director of the Investment Dealers Association of Canada. Mr. Black was appointed a member of the Order of Canada in 2002. He received the Queen Elizabeth II Golden Jubilee Medal in 2004 and, in 2005, was awarded the Saskatchewan Centennial Medal. Mr. Black was appointed to the Saskatchewan Order of Merit in 2005.

Paul Martin
Regina, Saskatchewan

Mr. Martin is President, Paul Martin Communications Inc. He is Chair of the Regina Regional Economic Development Authority and is an active member of the business media in Saskatchewan. Specializing in coverage of business and politics, his journalism career has spanned radio, television and print media. Mr. Martin is a director of Big Sky Farms Inc.

Director Biographies

Raymond A. McKay
La Ronge, Saskatchewan

Mr. McKay is Chief Executive Office of Kitsaki Management Limited Partnership and a member of the Lac La Ronge Indian Band. Kitsaki is a Lac La Ronge Indian Band-owned company that manages a diverse portfolio of active business investment interests in trucking, mining, catering, hotels, meat processing, wild rice and environmental monitoring. Previously he held senior positions in the public sector where he was instrumental in developing important strategies for northern affairs and development.

Anne Parker
Regina, Saskatchewan

Ms. Parker has most recently held the position of Executive Director of Communities of Tomorrow Partners for Sustainability Inc., a multimillion dollar community development and research investment entity. Previously she held progressively more senior positions with IPSCO Inc., culminating in the position of Vice President of Trade Policy and Communications. In her 15 years with IPSCO she also served as legal counsel and Director of Corporate Communications. Ms. Parker has completed the Canadian Securities Course, is on the Board of Governors of the Canadian Unity Council and is involved with numerous community and charitable organizations.

Robert T. F. Reid
Vancouver, British Columbia

Mr. Reid is a Corporate Director and Chair of BC Transmission Corporation. Prior to becoming Chair of the Transmission Corporation, he held a number of senior positions in the energy industry, including: President of Duke Energy's Canadian Operations, Executive Vice President and Chief Operating Officer of Westcoast Energy Inc., President and Chief Executive Officer of Union Gas Ltd., President and CEO of Pan Alberta Gas, President of Foothills Pipelines, and Executive Director of the Independent Petroleum Association of Canada.

Before beginning his business career, Mr. Reid served as Deputy Minister of Energy and Mines for the Province of Saskatchewan.

In addition to serving as Chair of the Board of the British Columbia Transmission Corporation, Mr. Reid is a current Director of Greystone Capital Management Inc., the Canadian Education Centre Network, and Portland General Electric. He was former board member of Cameco Corporation, Rigel Energy, and the Canada Life Assurance Company. Mr. Reid is a honourary life-member of the Canadian Gas Association.

In addition to his business interests Mr. Reid is active in his community; serving on the Board of the Vancouver Symphony Orchestra and on the United Way Campaign Cabinet.

Gordon G. Tallman
Calgary, Alberta

Mr. Tallman retired as the Senior Vice-President, Royal Bank, Prairies Region, after a banking career spanning 42 years.

He is a member of the Board of Directors/Trustees of Big Rock Brewery Income Trust, ECL Group of Companies Ltd., and PFB Corporation. He is also the Chairman of the Board of CV Technologies Inc., Chairman of the Board of Trustees of Enbridge Income Fund, and Chairman of Mount Royal College Foundation. He has served on the Boards of Canadian Utilities Ltd., Calgary and Gwich'n Development Corporation, Inuvik, NWT.

Mr. Tallman successfully completed the Institute of Corporate Directors - Corporate Governance College Director's Education Program in February, 2006. He was presented with both the Saskatchewan and Alberta Centennial medals in 2005.

Corporate Officers

Janet Wightman

Chief Executive Officer

Janet Wightman was appointed President & CEO of Investment Saskatchewan on May 1, 2004. Prior to joining IS, Ms. Wightman was the Executive Vice-President and Chief Operating Officer of Farm Credit Canada.

Laurie Powers, CA

Chief Financial Officer

Laurie Powers was appointed Chief Financial Officer of Investment Saskatchewan on September 20, 2004. Prior to joining IS, Ms. Powers was the Chief Financial Officer of Information Services Corporation of Saskatchewan.

INVESTMENT STAFF

Heather Collins	(306)	787-7203
Heather Forbes, CMA	(306)	787-5933
Brian LaBerge, CFA	(306)	787-7656
Spencer Ord	(306)	787-9360
Guy Roy	(306)	787-5916
D'Arcy Skwara	(306)	787-6549
Fund-of-Funds		
Murray Mucha	(306)	787-2736

PORTFOLIO — REPRESENTATIVE SAMPLE

BEAUVAL
FOREST INDUSTRIES INC.

Big Sky
Farms Inc.

Bioriginal
Innovative EFA Solutions

Centennial

foragen

GREAT
WESTERN
Proudly Western, Truly Great

Hypor
THE WORLD'S LOCAL BREEDER

MEADOW LAKE OSB
LIMITED PARTNERSHIP

PRAIRIE
VENTURES
FUND

B
Premium Brands
Income Fund

Saskferco

SOLIDO
DESIGN AUTOMATION INC.

CORPORATE INFORMATION

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Corporate Office
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Regina, SK S4P 4B3
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Investment Saskatchewan INC

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Saskatchewan Inc.

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Letter of Transmittal

Regina, Saskatchewan
March 31, 2006

Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Dear Madam:

I have the honour to submit herewith the annual report for Investment Saskatchewan Inc., for the year ended December 31, 2005 in accordance with *The Crown Corporations Act, 1993*. The Consolidated and Non-Consolidated Financial Statements included in this annual report are in the form approved by the Treasury Board and have been reported on by our auditors.

Respectfully submitted,

Eric Cline, Q.C.
Minister Responsible for Investment Saskatchewan Inc.

Investment Saskatchewan

Management's Discussion & Analysis

Introduction

Management has included two sets of audited financial statements in this report. To assist readers in assessing the results of Investment Saskatchewan Inc. ("IS") as a consolidated entity, management has included audited consolidated financial statements, in accordance with Canadian generally accepted accounting principles ("GAAP"), which include Investment Saskatchewan's interests in the specific assets, liabilities, revenues, expenses, cash flows and significant note disclosures of subsidiaries and joint ventures, in addition to those of the Investment Saskatchewan legal entity.

In order for readers to assess the results of the Investment Saskatchewan legal entity alone, management has also included audited non-consolidated financial statements whereby the specific assets, liabilities, revenues, expenses, cash flows and significant note disclosures of subsidiaries and joint ventures are not included. The non-consolidated financial statements include the subsidiaries and joint ventures using the equity method of accounting.

The non-consolidated financial statements are particularly relevant since Investment Saskatchewan management is not involved at a management level, in the day to day activities of the operating entities contained in the consolidated financial statements. The level of involvement in directing and influencing investment operations is commensurate with the nature and size of the investment. Influence, and in some cases, control of the individual investments is exercised through appropriate Board representation and agreements related to the investment.

Investment Saskatchewan ("the Corporation") measures returns on investments through its share of investment earnings or losses, dividends, loan repayments, the increase or decrease in the value of investments, and internal rate of return. The Corporation safeguards its assets and manages its expenses, liabilities and cash flows.

Management's Discussion and Analysis ("MD&A") has been prepared on both a consolidated and a non-consolidated basis, corresponding with the two sets of audited financial statements presented.

Many sections of the MD&A contain forward looking information about the Corporation. This information reflects management's expectations and intentions at the time of writing. As such, risks and uncertainties could cause actual future results to differ materially from those anticipated.

Corporate Background

Investment Saskatchewan is a designated subsidiary crown corporation under *The Crown Corporations Act, 1993* and an incorporated entity under *The Business Corporations Act (Saskatchewan).* Formerly know as CIC Industrial Interests Inc. ("CIC III"), Investment Saskatchewan was established as a stand-alone entity in September 2003, wholly owned by the Crown Investments Corporation of Saskatchewan ("CIC"). The Corporation's current mandate is to enhance Saskatchewan's long-term economic growth and diversification through the provision of investment capital and financing, and to prudently manage portfolios of commercially viable investments.

Investment Summary

Investment Saskatchewan's major investments are profiled to give readers a familiarity with significant entities that are included in both the consolidated and non-consolidated financial statements.

BIG SKY FARMS INC. ("BIG SKY")

Big Sky operates six large scale, three site, farrow-to-finish hog production facilities and eighteen 600 to 1200 sow farrow to finish operations. These operations are located primarily in Saskatchewan and use modern design and production methods. The company markets live hogs in Canada and the United States. Big Sky currently has a breeding herd of approximately 40,000 sows capable of producing 1,000,000 market hogs annually. IS has made equity investments in Big Sky totaling $17.3 million, representing a 44.7% interest in the company. Big Sky has a total of 470 employees.

2005 Results

- Relatively strong hog prices, low feed costs and increased production translated into stronger performance for Big Sky in 2005 than 2004. Although hog prices were relatively strong compared to historical pricing they were lower than those experienced in 2004.
- In August 2005, Big Sky purchased the assets of Community Pork Ventures which included 12,000 sows in 16 facilities (13 in Saskatchewan and 3 in Manitoba).
- In 2005 the Canadian hog industry was successful in the removal of the countervail and anti-dumping duties placed on Canadian hogs exported to the U.S.
- Due to the additional shares of Big Sky held in HARO Financial Corporation, the Corporation holds 68.4% of Big Sky and has consolidated this investment.
- Contribution to consolidated financial results:
  Earnings - $6.7 million (2004 - $5.4 million including $2.5 million recovery from prior years)
  Assets - $161.3 million (2004 - $21.6 million)

Outlook

- 2006 is projected to be a low year in the hog cycle which will result in a poor year for hog producers. Big Sky expects to remain profitable through the low end of the cycle primarily due to lower than average feed costs.
- The strengthening Canadian dollar will continue to put negative pressure on pricing.
- The impact of the Country of Origin Labeling requirement in the U.S. remains a concern for Canadian hog producers.

Key Factors Affecting Performance

- Hog prices.
- U.S./Canada exchange rate.
- Feed costs.
- Disease outbreaks.
- Heating and transportation (fuel cost).

INVESTMENT SUMMARY

CENTENNIAL FOODS PARTNERSHIP ("CENTENNIAL")

Centennial is a value-added manufacturing and distribution business for meat, seafood and other related food products. Centennial has production locations in Saskatoon and Calgary, as well as food service operations across western Canada. The Corporation holds a 35% ownership interest in Centennial. Centennial employs 150 people at the Saskatoon facility.

In 2005, the business was restructured splitting it into two separate operating units: New Food Classics, which operates the value-added manufacturing business including the hamburger plant in Saskatoon; and Centennial Food Service, which operates the food distribution business.

Subsequent to year end, IS sold its interest in New Food Classics. The results of the sale will be fully disclosed in the 2006 Annual Report. IS continues to own an interest in Centennial Food Service.

2005 Results

- Centennial continued to have increased sales over 2004, and experienced strong sales growth at its Saskatoon hamburger plant.
- Contribution to consolidated financial results:
  Earnings - $1.9 million (2004 - $1.9 million)
  Assets - $33.6 million (2004 - $34.9 million)

Outlook

- Strong operating results are expected to continue in the food distribution business.

Key Factors Affecting Performance

- Commodity protein prices in a tight supply environment.

HARO FINANCIAL CORPORATION ("HARO")

HARO is a Regina-based company created to acquire an ownership interest in Crown Life Insurance Company ("Crown Life"). HARO holds a 65.2% ownership interest in Crown Life. In May 1998, Crown Life entered into agreements with The Canada Life Assurance Company ("Canada Life"). Under the terms of the agreements, substantially all of Crown Life's insurance business was transferred to Canada Life, with the balance to be transferred at the option of the parties to the agreements or the shareholders of Crown Life after January 1, 2004. The completion of the sale process was delayed with the acquisition of Canada Life by Great-West Life in 2003. Following the repurchase of all the common shares in 2000 not owned by its two major shareholders, HARO and Extendicare Inc., Crown Life ceased to be a publicly traded company.

2005 Results

- Dividends were not declared by Crown Life in 2005 therefore HARO did not make any payments to IS in 2005.
- The final close of the sale of Crown Life to Canada Life scheduled for after January 1, 2004 has not occurred as a result of delays requested by Great-West Life and pending quantification of certain unresolved matters by Crown Life.
- Crown Life has been a defendant in a number of lawsuits which have been vigorously contested and the majority of such lawsuits have been resolved.
- Crown Life voided certain reinsurance contracts and questioned the validity of corresponding claims arising from such reinsurance contracts. Most contracts have been resolved and the remaining contracts are expected to be resolved in 2006.
- Due to the adoption of Accounting Guideline AcG-15 - *Consolidation of Variable Interest Entities*, HARO is consolidated in the Investment Saskatchewan consolidated financial statements.
- Contribution to consolidated financial results:
  Earnings - $10.3 million (2004 - $30.9 million)
  Assets - $696.4 million (2004 - $83.4 million)

Outlook

- IS expects the final close of the sale of Crown Life to take place in 2006 resulting in a distribution of cash and certain investments to Investment Saskatchewan.

Key Factors Affecting Performance

- As HARO's only asset is Crown Life shares, its financial performance is wholly dependent upon that of Crown Life.
- Crown Life's future performance will be largely affected by the outcome of outstanding litigation.

MEADOW LAKE OSB LIMITED PARTNERSHIP ("ML OSB")

ML OSB operates an oriented strand board ("OSB") plant near the town of Meadow Lake. IS owns 24.98% of ML OSB, Tolko owns 75%, and Meadow Lake Tribal Council and North West Communities each own 0.01%. The plant has the capacity to produce 600 million square feet (3/8" basis) of OSB annually, using the wood resources from Meadow Lake and surrounding area. The plant operates 24 hours per day, year-round. It employs 127 people in the plant and contracts a further 16 people in the wood yard, 4 people in the scalehouse, and 180 in woodland operations.

2005 Results

- ML OSB's revenues and earnings benefited from the relatively high OSB prices during 2005, and from increased production and sales volumes.
- A decline from the record high OSB prices experienced in 2004 combined with the impact of the strong Canadian dollar, resulted in ML OSB's 2005 results being lower than in 2004.
- Contribution to consolidated financial results:
  Earnings - $11.9 million (2004 - $15.8 million)
  Assets - $35.0 million (2004 - $43.9 million)

Outlook

- ML OSB is expected to exceed full production capacity in 2006.
- Prices are expected to be lower in 2006 than those experienced in 2005.

Key Factors Affecting Performance

- Market OSB prices.
- U.S./Canada exchange rate.
- Rising input costs such as resin and wood (including stumpage and reforestation costs).

MEADOW LAKE PULP LIMITED PARTNERSHIP ("MLPLP")

MLPLP operates one of the world's first zero-effluent chemi-thermomechanical pulp ("CTMP") mills. The mill has produced up to an annualized rate of 325,000 tonnes per year of chlorine-free hydrogen peroxide bleached CTMP. IS owns 50% of MLPLP, with Millar Western Industries Ltd. holding the remaining 50%. The state-of-the art, environmentally friendly mill is located near Meadow Lake, Saskatchewan and uses Saskatchewan aspen as its fibre source. MLPLP has 148 employees and provides an additional 245 jobs in the woodlands.

2005 Results

- MLPLP's performance was negatively impacted by the strong Canadian dollar, poor pulp prices, and rising energy costs. Pulp prices in U.S. dollars were higher in 2005 than in 2004, however when converted into Canadian dollars, pulp prices were actually lower.
- MLPLP's production costs increased in 2005 due to higher energy and fibre costs.
- Due to the poor financial performance, MLPLP entered into *Companies' Creditors Arrangements Act* ("CCAA") on December 28, 2005.
- Due to the adoption of AcG-15, MLPLP is consolidated in the Investment Saskatchewan consolidated financial statements.
- Contribution to consolidated financial results:
  Loss - $128.0 million (2004 - $35.4 million)
  Assets - $55.1 million (2004 - $131.9 million)

Outlook

- Pulp prices are expected to weaken from 2005 levels in 2006, however pulp prices are very volatile and are difficult to forecast.
- The exchange rate is expected to have an ongoing negative impact on Canadian producers.
- The future outlook for pulp prices and the strong Canadian dollar have caused uncertainty as to timing of future cash repayments. As a result, Investment Saskatchewan Inc. took a writedown of $109.7 million in 2005 and $30.0 million in 2004 against its investment in MLPLP.
- The Corporation anticipates selling its interest in MLPLP in 2006.

Key Factors Affecting Performance

- Market pulp prices.
- Industry supply/demand balance plays a role in capacity utilization rates of pulp mills.
- U.S./Canada exchange rate. Almost all pulp sales are in U.S. dollars.
- Input costs such as power, bleaching chemicals and wood (including stumpage and reforestation costs).

INVESTMENT SUMMARY

SASKFERCO PRODUCTS INC. ("SASKFERCO")

Saskferco is a nitrogen-based fertilizer company, with a plant located near Belle Plaine and its head office in Regina. Saskferco produces an annual average of 45,000 tonnes of anhydrous ammonia for sale, 910,000 tonnes of granular urea and 230,000 tonnes of UAN, which are marketed in Canada and the northern and mid-west United States. IS holds a 49% voting interest in Saskferco, Mosaic I (Canada) Holdings ULC holds 50%, and Citibank Canada holds 1%. Saskferco has 142 permanent employees and 36 contract positions.

2005 Results

- Earnings were strong due to continued strong urea and ammonia prices.
- Payments of $34.3 million were made to Investment Saskatchewan. To facilitate a restructuring of Saskferco capital in 2004, shareholder retained earnings were effectively converted to shareholder debt. Therefore, while the payments from Saskferco in 2005 are technically repayment of this shareholder debt, they are effectively a return on equity.
- Contribution to consolidated financial results:
  Earnings - $27.2 million (2004 - $19.7 million)
  Assets - $129.5 million (2004 - $136.6 million)

Outlook

- Natural gas prices have dropped from previous record high levels. Prices are forecast to remain volatile.
- Fertilizer prices are expected to decline as the market reacts to new international production impacting the 2006-07 period.
- High gas prices continue to put pressure on high cost North American producers resulting in more curtailment of production and permanent shutdowns.

Key Factors Affecting Performance

- Urea, UAN and ammonia market prices.
- Major input costs such as natural gas.
- U.S./Canada exchange rate.

OTHER DIRECT INVESTMENTS

In addition to the six major investments highlighted, Investment Saskatchewan had direct investments in the following entities:

- Bioriginal Food & Science Corp. ("Bioriginal")
- Canadian Western Bank
- Great Western Brewing Company Limited
- Hypor
- Kitsaki/Zelensky Limited Partnership
- Minds Eye Entertainment Ltd.
- Northwest Communities Holdings Inc. ("Beauval")
- Pangaea Systems Inc.
- Premium Brands Income Fund
- Saskatchewan Valley Potato Corporation
- Solido Design Automation Inc. ("Solido")
- Star Bio Investments Inc.

Key Accounting Estimates, Assumptions, and Policies

The Corporation prepares its consolidated financial statements in accordance with Canadian GAAP applied on a consistent basis. The non-consolidated financial statements have been prepared in accordance with Canadian GAAP except that the Corporation's investments, over which it is able to exercise control or joint control, are accounted for using the equity method. Under the equity method, the Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

The accounting policies are summarized in Note 2 to the accompanying consolidated and non-consolidated financial statements respectively. Those accounting policies and estimates of significance are highlighted below.

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and disclosed amounts for contingent liabilities. Significant items subject to such estimates and assumptions include the carrying amounts of investments and valuation of assets and liabilities of discontinued operations. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods by a material amount.

CONTINGENCIES

The Corporation will accrue a potential liability if it is probable and can be reasonably estimated, based on information available at the time.

CONSOLIDATION PRINCIPLES AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Investment Saskatchewan Inc. and its subsidiaries:

- Big Sky Farms Inc.
- CIC Foods Inc. (Centennial)
- CIC FTLP Holdings Inc. ("Foragen")
- CIC OSB Products Inc. (ML OSB)
- CIC Pulp Ltd. (MLPLP)
- CIC PVF Holdings Inc. (Prairie Ventures Limited Partnership)
- CIC Swine Genetics Holdings Inc. (Hypor)
- CIC WLSVF Holdings Inc. (Western Life Sciences Venture Fund)
- HARO Financial Corporation (HARO)
- Investment Saskatchewan Swine Inc.
- Saskatchewan Valley Potato Corporation
- 101069101 Saskatchewan Ltd. (holds 2005 MLPLP debt purchase)

All material inter-company transactions are eliminated on consolidation.

INVESTMENTS

The consolidated financial statements also include cost and equity based investments held by Investment Saskatchewan Inc. Investments in the form of debentures, loans and other advances are recorded at cost. Where the Corporation has investments over which it exercises significant influence the investments are accounted for using the equity method. The Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

Investments in which the Corporation does not exercise significant influence are recorded at cost, with dividends from these investments recorded as income when received or receivable. Investments in properties held for sale are recorded at the lower of cost and net realizable value.

Where there has been a decline in the value of an investment that is not considered temporary, the investment is written down to its estimated fair value.

JOINT VENTURES

The consolidated financial statements include the Corporation's proportionate share of the book value of the assets, liabilities, revenues, expenses and cash flows of joint venture interests. The Corporation's share of jointly controlled enterprises of continuing operations is as follows:

- Foragen Technologies Limited Partnership 33%

CONSOLIDATION OF VARIABLE INTEREST ENTITIES

Application of the Canadian Institute of Chartered Accountants (CICA) Accounting Guideline 15 ("AcG-15"), Consolidation of Variable Interest Entities, significantly impacts the financial statements of Investment Saskatchewan. AcG-15 is effective for fiscal years beginning on or after November 1, 2004, and is therefore applicable for Investment Saskatchewan's fiscal year ending December 31, 2005.

This model focuses on economic interests rather than voting interests. AcG-15 applies if an enterprise such as Investment Saskatchewan holds economic interests in an entity that expose it to the majority of the entity's risks, or if no one holds such a majority, the majority of its rewards. In such cases the enterprise, in this case Investment Saskatchewan, must consolidate these holdings.

The Corporation has determined that the following entities are variable interest entities ("VIE") and have been consolidated in its financial statements:

- HARO
- MLPLP
- Prairie Ventures Limited Partnership ("PVF")

It should be noted however that of the investments listed above, HARO and MLPLP are considered to be assets held for disposal at year-end, and as a result the accounting standard for assets held for disposal also applies. Restatement of comparative financial information is not required by AcG-15.

DISCONTINUED OPERATIONS

During 2005, the Corporation determined that four of its businesses qualified as discontinued operations in accordance with CICA Handbook Section 3475 "Disposal of Long-Lived Assets and Discontinued Operations". Criteria that must be met in order for an asset to qualify as an asset held for disposal and accordingly its results disclosed as discontinued operations are:

- committed to a plan to sell;
- available for immediate sale in its present condition;
- active program to locate a buyer and other actions to complete the sale plan initiated;
- sale is probable and expected to take place within one year;
- being actively marketed for sale at a reasonable price; and
- unlikely that significant changes to the plan will be made or the plan will be withdrawn.

The assets and liabilities, revenues and expenses, and cash flows of the following four businesses that meet these criteria have been reclassified as discontinued operations, and the 2005 and 2004 figures have been reclassified to reflect the same. Presentation of these discontinued operations in this manner allows financial statement users to assess the effects of the disposal transactions on the ongoing operations of the Corporation.

Hypor

The Corporation entered into an agreement to sell all of its ownership interests in Hypor LP, Hypor B.V., and Euribrid Espana S.A. The sale closed in February 2006.

Crown Life Insurance Company

The Corporation anticipates the final close of the sale of Crown Life to Canada Life/Great West Life to occur in 2006. This transition will result in a distribution of cash and certain investments to the Corporation's wholly-owned subsidiary, HARO.

Centennial

On July 30, 2005, Centennial restructured its operations and sold one of its businesses to a third party in February 2006. During 2006, the Corporation anticipates selling its interests in the remaining businesses.

MLPLP

On December 28, 2005, MLPLP obtained creditor protection under CCAA. The CCAA Order provided for a 30 day general stay period that expired on January 27, 2006, and has been extended to March 31, 2006. The stay generally precludes parties from taking any actions against MLPLP for breach of contractual or other obligations. The CCAA process will provide time to investigate all options with respect to the future of the mill including the development of a cost reduction plan. During 2006, the Corporation anticipates selling its interest in MLPLP.

Consolidated Financial Results and Discussion

SUMMARY OF KEY FINANCIAL RESULTS (CONSOLIDATED) ($ MILLIONS)	2005	2004
Net (loss) earnings	(87.7)	19.3
Earnings from continuing operations	27.7	21.5
Loss from discontinued operations	(115.4)	(2.2)
Total revenue	160.9	37.6
Total expenses	107.2	9.3
Total investments	221.2	259.3
Total assets	1,362.1	704.9
Dividend to CIC	-	42.3

RESULTS OF OPERATIONS (CONSOLIDATED)

This section focuses on significant changes in Investment Saskatchewan's consolidated financial results for the year ended December 31, 2005 as compared to the year ended December 31, 2004, and should be read in conjunction with the audited consolidated financial statements included in this annual report.

The net loss was $87.7 million in 2005, as compared to earnings of $19.3 million in 2004. This loss was mainly the result of a writedown of $109.7 million taken on the investment in the Meadow Lake pulp mill. The writedown reduced the carrying value of MLPLP to $4.0 million. A deteriorating market environment – the high Canadian dollar, increasing transportation costs, low pulp prices and rising energy costs – dramatically impacted this investment.

Consolidated revenue was $160.9 million which was $123.3 million higher than the 2004 consolidated revenue of $37.6 million. This increase was primarily due to the requirement to consolidate Big Sky commencing in 2005, which resulted in the inclusion of Big Sky's sales of goods and services in Investment Saskatchewan's consolidated financial statements. Strong hog prices translated into solid revenues for Big Sky in 2005.

Consolidated interest and other revenues increased from $4.2 million in 2004 to $9.2 million in 2005. This increase was largely due to interest income earned on short-term investments held by the Corporation during the year, and the consolidation of PVF commencing in 2005.

Consolidated earnings from equity investments increased $6.2 million to $37.9 million (2004 – $31.7 million). Wide fluctuations in earnings from equity based investments demonstrate how Investment Saskatchewan's performance is closely tied to the performance of the underlying investment portfolio. Earnings from equity investments were as follows:

EARNINGS FROM EQUITY INVESTMENTS ($ MILLIONS)	2005	2004
Big Sky Farms Inc.	-	2.8
Bioriginal Food & Science Corp.	(0.1)	-
Meadow Lake OSB Limited Partnership	11.9	15.8
Prairie Ventures Limited Partnership	-	0.6
Saskferco Products Inc.	27.2	19.7
Western Life Sciences Venture Fund	(1.1)	(3.4)
Other	-	(3.8)
TOTAL	$ 37.9	$ 31.7

As a result of AcG-15, Big Sky and PVF were consolidated commencing in 2005. These investments were not consolidated in 2004.

Earnings from ML OSB, while still very strong in 2005, were lower than in 2004 largely due to lower market prices. Investment Saskatchewan recorded $27.2 million in earnings from Saskferco in 2005 (2004 – $19.7 million) resulting from the strong earnings it achieved due to continued strong urea and ammonia pricing.

Consolidated expenses increased $97.9 million to $107.2 million (2004 – $9.3 million) due largely to the consolidation of Big Sky. The financing expense portion of the consolidated expenses increased $9.1 million, in large part the result of the consolidation of Big Sky, and the acquisition of $52.0 million of MLPLP debentures on which the Corporation had previously indemnified CIC's guarantee ("debt swap" - see note 9 to the financial statements).

The Corporation recorded a recovery of loan losses of $1.0 million in 2005 versus a provision for loan losses of $3.9 million in 2004. A recovery on the $1.0 million loan to Pangaea Systems Inc. which was fully provided for in 2004 was realized. Writedowns of investments totaled $4.4 million in 2005, higher than the $3.0 million of writedowns in the prior year.

Net earnings from continuing operations were $27.7 million, up $6.2 million from 2004.

Four of the Corporation's businesses qualified as discontinued operations at year-end. As a result, the operating results of these businesses have been classified as discontinued operations on the financial statements. The net loss from these operations totaled $115.4 million (2004 – $2.2 million). Included in the loss from discontinued operations is the writedown taken on MLPLP of $109.7 million in 2005 and $30.0 million in 2004.

Cash and short-term investments increased $77.7 million to $251.1 million (2004 – $173.3 million) due mainly to payments from Saskferco, dividends received from ML OSB and the consolidation of HARO.

Consolidated long-term debt (net of sinking funds) was $124.8 million (2004 – $15.1 million). Consolidated long-term debt due within one year was $57.6 million (2004 – nil), an increase of $57.6 million which largely relates to the debt swap with MLPLP.

LIQUIDITY (CONSOLIDATED)

The Corporation finances capital requirements through internally generated cash flow, cash returns from investments and borrowings from the General Revenue Fund ("GRF") and external financial institutions. Certain subsidiaries and joint ventures access financing through financial institutions. The GRF may borrow in capital markets on behalf of the Corporation and has ample access to capital markets for any borrowing requirements. The past borrowings from the GRF, along with the related sinking funds, were transferred from CIC to Investment Saskatchewan Inc. effective October 1, 2003. Borrowings from the GRF totaled $14.8 million at December 31, 2005 (2004 - $15.1 million).

OPERATING, INVESTING AND FINANCING ACTIVITIES (CONSOLIDATED)

CASH FLOW HIGHLIGHTS ($ MILLIONS)	2005	2004
Cash provided by operating activities	63.4	34.4
Cash provided by investing activities	69.2	134.3
Cash used in financing activities	(54.9)	(3.3)
Increase in cash position	$ 77.7	$ 165.4

Cash provided by operating activities was $63.4 million (2004 – $34.4 million). The $29.0 million increase from 2004 was primarily due to the receipt of dividends from ML OSB totaling $21.1 million in 2005.

The Corporation received $69.2 million from investing activities in 2005 (2004 – $134.3 million) including payments from Saskferco totaling $34.3 million. Investments in 2005 included $1.0 million (first and second tranche) to Solido, a $2.5 million investment in Bioriginal, $1.0 million to Beauval, as well as add-ons to Big Sky ($1.8 million) and Foragen ($1.0 million). During the year the Corporation purchased $19.3 million of property, plant and equipment which includes the acquisition of the assets of Community Pork Ventures by Big Sky. The principal reduction from HARO totaling $123.6 million generated the majority of cash from investing activities in 2004.

The Corporation used $54.9 million in cash from financing activities in 2005 (2004 – $3.3 million). Payment of a $42.3 million dividend which accrued to CIC at December 31, 2004 was made on March 31, 2005, the largest contributor to this variance.

Consolidated Financial Results and Discussion

SUMMARY OF KEY FINANCIAL RESULTS (CONSOLIDATED) ($ MILLIONS)	2005	2004
Net (loss) earnings	(87.7)	19.3
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Loss from discontinued operations	(115.4)	(2.2)
Total revenue	160.9	37.6
Total expenses	107.2	9.3
Total investments	221.2	259.3
Total assets	1,362.1	704.9
Dividend to CIC	-	42.3

This section focuses on significant changes in Investment Saskatchewan's consolidated financial results for the year ended December 31, 2005 as compared to the year ended December 31, 2004, and should be read in conjunction with the audited consolidated financial statements included in this annual report.

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Consolidated revenue was $160.9 million which was $123.3 million higher than the 2004 consolidated revenue of $37.6 million. This increase was primarily due to the requirement to consolidate Big Sky commencing in 2005, which resulted in the inclusion of Big Sky's sales of goods and services in Investment Saskatchewan's consolidated financial statements. Strong hog prices translated into solid revenues for Big Sky in 2005.

Consolidated interest and other revenues increased from $4.2 million in 2004 to $9.2 million in 2005. This increase was largely due to interest income earned on short-term investments held by the Corporation during the year, and the consolidation of PVF commencing in 2005.

Consolidated earnings from equity investments increased $6.2 million to $37.9 million (2004 – $31.7 million). Wide fluctuations in earnings from equity based investments demonstrate how Investment Saskatchewan's performance is closely tied to the performance of the underlying investment portfolio. Earnings from equity investments were as follows:

EARNINGS FROM EQUITY INVESTMENTS ($ MILLIONS)	2005	2004
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Prairie Ventures Limited Partnership	-	0.6
Saskferco Products Inc.	27.2	19.7
Western Life Sciences Venture Fund	(1.1)	(3.4)
Other	-	(3.8)
TOTAL	$ 37.9	$ 31.7

As a result of AcG-15, Big Sky and PVF were consolidated commencing in 2005. These investments were not consolidated in 2004.

Earnings from ML OSB, while still very strong in 2005, were lower than in 2004 largely due to lower market prices. Investment Saskatchewan recorded $27.2 million in earnings from Saskferco in 2005 (2004 – $19.7 million) resulting from the strong earnings it achieved due to continued strong urea and ammonia pricing.

Consolidated expenses increased $97.9 million to $107.2 million (2004 – $9.3 million) due largely to the consolidation of Big Sky. The financing expense portion of the consolidated expenses increased $9.1 million, in large part the result of the consolidation of Big Sky, and the acquisition of $52.0 million of MLPLP debentures on which the Corporation had previously indemnified CIC's guarantee ("debt swap" - see note 9 to the financial statements).

The Corporation recorded a recovery of loan losses of $1.0 million in 2005 versus a provision for loan losses of $3.9 million in 2004. A recovery on the $1.0 million loan to Pangaea Systems Inc. which was fully provided for in 2004 was realized. Writedowns of investments totaled $4.4 million in 2005, higher than the $3.0 million of writedowns in the prior year.

Net earnings from continuing operations were $27.7 million, up $6.2 million from 2004.

Four of the Corporation's businesses qualified as discontinued operations at year-end. As a result, the operating results of these businesses have been classified as discontinued operations on the financial statements. The net loss from these operations totaled $115.4 million (2004 – $2.2 million). Included in the loss from discontinued operations is the writedown taken on MLPLP of $109.7 million in 2005 and $30.0 million in 2004.

Cash and short-term investments increased $77.7 million to $251.1 million (2004 – $173.3 million) due mainly to payments from Saskferco, dividends received from ML OSB and the consolidation of HARO.

Consolidated long-term debt (net of sinking funds) was $124.8 million (2004 – $15.1 million). Consolidated long-term debt due within one year was $57.6 million (2004 – nil), an increase of $57.6 million which largely relates to the debt swap with MLPLP.

The Corporation finances capital requirements through internally generated cash flow, cash returns from investments and borrowings from the General Revenue Fund ("GRF") and external financial institutions. Certain subsidiaries and joint ventures access financing through financial institutions. The GRF may borrow in capital markets on behalf of the Corporation and has ample access to capital markets for any borrowing requirements. The past borrowings from the GRF, along with the related sinking funds, were transferred from CIC to Investment Saskatchewan Inc. effective October 1, 2003. Borrowings from the GRF totaled $14.8 million at December 31, 2005 (2004 - $15.1 million).

CASH FLOW HIGHLIGHTS ($ MILLIONS)	2005	2004
Cash provided by operating activities	63.4	34.4
Cash provided by investing activities	69.2	134.3
Cash used in financing activities	(54.9)	(3.3)
Increase in cash position	$ 77.7	$ 165.4

Cash provided by operating activities was $63.4 million (2004 – $34.4 million). The $29.0 million increase from 2004 was primarily due to the receipt of dividends from ML OSB totaling $21.1 million in 2005.

The Corporation received $69.2 million from investing activities in 2005 (2004 – $134.3 million) including payments from Saskferco totaling $34.3 million. Investments in 2005 included $1.0 million (first and second tranche) to Solido, a $2.5 million investment in Bioriginal, $1.0 million to Beauval, as well as add-ons to Big Sky ($1.8 million) and Foragen ($1.0 million). During the year the Corporation purchased $19.3 million of property, plant and equipment which includes the acquisition of the assets of Community Pork Ventures by Big Sky. The principal reduction from HARO totaling $123.6 million generated the majority of cash from investing activities in 2004.

The Corporation used $54.9 million in cash from financing activities in 2005 (2004 – $3.3 million). Payment of a $42.3 million dividend which accrued to CIC at December 31, 2004 was made on March 31, 2005, the largest contributor to this variance.

Non-Consolidated Financial Results and Discussion

SUMMARY OF KEY FINANCIAL RESULTS (NON-CONSOLIDATED) ($ MILLIONS)	2005	2004
Net (loss) earnings	**(87.7)**	**19.3**
Total revenue	**44.7**	**63.4**
Total expenses	**10.4**	**8.0**
Provision for environment costs	**10.3**	-
Provision for loan losses	**108.6**	**33.9**
Writedown of investments	**3.1**	**2.3**
Total investments	**412.7**	**456.5**
Total assets	**592.2**	**629.0**
(Deficit) Retained earnings	**(13.8)**	**37.5**

RESULTS OF OPERATIONS (NON-CONSOLIDATED)

This section focuses on significant changes in Investment Saskatchewan's non-consolidated financial results for the year ended December 31, 2005 as compared to the year ended December 31, 2004, and should be read in conjunction with the audited non-consolidated financial statements included in this annual report.

Losses were $87.7 million in 2005, as compared to earnings of $19.3 million in 2004. This loss was mainly the result of a provision of $109.7 million taken on the Meadow Lake pulp mill. The provision reduced the carrying value of MLPLP to $4 million. A deteriorating market environment – the high Canadian dollar, increasing transportation costs, low pulp prices and rising energy costs – have dramatically impacted this investment.

Non-consolidated revenue was $44.7 million, $18.7 million lower than the 2004 non-consolidated revenue of $63.4 million. Non-consolidated interest and other revenues decreased from $34.8 million in 2004 to $7.6 million in 2005. Interest revenue in 2004 included $30.9 million related to HARO loan repayments. No repayments were received from HARO in 2005.

Non-consolidated earnings from equity based investments increased $8.4 million to $37.0 million (2004 – $28.6 million). Wide fluctuations in earnings from equity based investments demonstrate how Investment Saskatchewan's performance is closely tied to the performance of the underlying investment portfolio.

Earnings from equity investments were as follows:

EARNINGS FROM EQUITY INVESTMENTS ($ MILLIONS)	2005	2004
Big Sky Farms Inc.	6.7	2.9
Bioriginal Food & Science Corp.	(0.1)	-
CIC Foods Inc. (Centennial)	1.9	1.9
CIC FTLP Holdings Inc. (Foragen)	(1.7)	(5.1)
CIC OSB Products Inc. (ML OSB)	11.9	15.8
CIC Pulp Ltd. (MLPLP)	(18.3)	(5.4)
CIC PVF Holdings Inc. (PVF)	0.2	0.6
CIC Swine Genetics Holdings Inc. (Hypor)	0.2	0.1
CIC WLSVF Holdings Inc. (WLS)	(1.1)	(3.4)
HARO Financial Corporation	10.3	-
Saskatchewan Valley Potato Corporation	(0.2)	1.5
Saskferco Products Inc.	27.2	19.7
TOTAL	$ 37.0	$ 28.6

The Corporation realized year-over-year incremental earnings increases from Saskferco (due to strong urea and ammonia prices), and from Big Sky (due to strong hog prices, low feed costs and increased production).

As a result of AcG-15, 2005 is the first year in which HARO is accounted for using the equity method and therefore results are only shown for 2005.

Earnings from ML OSB, while still very strong, were down $3.9 million from 2004, due to a decline in market prices. Lower pulp prices heavily contributed to the $18.3 million loss realized from MLPLP. The Corporation incurred $6.2 million in losses and writedowns from fund investments (2004 – losses and writedowns of $7.9 million) due mainly to provisions taken on various underlying small dollar value loans and portfolio investments.

Total non-consolidated expenses increased $2.4 million to $10.4 million (2004 – $8.0 million). Interest and other expenses associated with the debt swap with MLPLP were the primary reasons for the variance.

An earlier provision for environmental costs related to an indemnity provided by Prince Albert Pulp and Paper Company (PAPCO) and Her Majesty in Right of the Province of Saskatchewan, for environmental liabilities relating to the ERCO Chemical Plant was increased in 2005. Although the indemnity was issued in 1986 this indemnity was later transferred to Saskatchewan Forest Products Corporation and ultimately transferred to CIC III in 1999. In 2005 it was determined that the Corporation would be required to assume the full liability estimated at $12.7 million at December 31, 2005.

Non-consolidated cash and short-term investments increased $6.9 million to $177.2 million (2004 – $170.3 million). Receipts from investees were largely offset by the payment in the first quarter of the $42.3 million dividend to CIC which was accrued at December 31, 2004.

Total investments decreased from $456.5 million at December 31, 2004 to $412.7 million at December 31, 2005. The change is due to the provision for loan losses on MLPLP, as well as distributions and payments received from investees in 2005. The reduction is partially offset by positive net earnings from equity investments overall, and new investments.

Non-consolidated long-term debt (net of sinking funds) was $60.8 million (2004 – $15.1 million).

LIQUIDITY (NON CONSOLIDATED)

The Corporation finances capital requirements through cash returns from investments, a line of credit and borrowings from the GRF, and external financial institutions. The GRF may borrow in capital markets on behalf of Investment Saskatchewan and has ample access to capital markets for any borrowing requirements. Order in Council 337/2005 approved an increase in the Corporation's borrowing limit to $85 million in order to accommodate the $52 million debt swap with MLPLP.

OPERATING, INVESTING AND FINANCING ACTIVITIES
(NON CONSOLIDATED)

CASH FLOW HIGHLIGHTS ($ MILLIONS)	2005	2004
Cash provided by operating activities	20.5	30.8
Cash provided by investing activities	35.0	133.8
Cash (used in) financing activities	(48.6)	(0.2)
Increase in cash position	$ 6.9	$ 164.4

Cash provided by operating activities was $20.5 million (2004 – $30.8 million). The $10.3 million decrease from 2004 was primarily due to interest income received from HARO totaling $30.9 million in 2004. The majority of the 2005 cash inflows relate to distributions received from investments, including $21.1 million received from ML OSB.

Investment Saskatchewan Inc. generated $35.0 million in cash related to net investing activities in 2005 (2004 – $133.8 million) including payments from Saskferco totaling $34.3 million. Investments made in 2005 included Solido ($1.0 million), Bioriginal ($2.5 million), Beauval ($1.0 million), Foragen ($1.0 million) and Big Sky ($1.8 million).

The principal reduction from HARO totaling $123.6 million in 2004 generated the majority of the cash from investing activities in 2004 where no payment was received from HARO in 2005.

The Corporation used $48.6 million in cash from financing activities (2004 – $0.2 million), with the main financing activity related to the payment of the 2004 dividend to CIC. Long-term debt was reduced by debt repayments of $6.2 million in 2005.

DEBT MANAGEMENT
(NON-CONSOLIDATED)

Long-term debt consists of $14.8 million (net of sinking funds) due to the GRF, and debentures to OMERS and Sun Life for $46.0 million. The debentures to OMERS and Sun Life resulted from the debt swap with MLPLP. As a Crown corporation separate from CIC, Investment Saskatchewan Inc. actively manages cash flows and borrowing requirements. The Corporation anticipates being self-supporting from its current cash position and investments in 2006.

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Total non-consolidated expenses increased $2.4 million to $10.4 million (2004 – $8.0 million). Interest and other expenses associated with the debt swap with MLPLP were the primary reasons for the variance.

An earlier provision for environmental costs related to an indemnity provided by Prince Albert Pulp and Paper Company (PAPCO) and Her Majesty in Right of the Province of Saskatchewan, for environmental liabilities relating to the ERCO Chemical Plant was increased in 2005. Although the indemnity was issued in 1986 this indemnity was later transferred to Saskatchewan Forest Products Corporation and ultimately transferred to CIC III in 1999. In 2005 it was determined that the Corporation would be required to assume the full liability estimated at $12.7 million at December 31, 2005.

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Total investments decreased from $456.5 million at December 31, 2004 to $412.7 million at December 31, 2005. The change is due to the provision for loan losses on MLPLP, as well as distributions and payments received from investees in 2005. The reduction is partially offset by positive net earnings from equity investments overall, and new investments.

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Investment Saskatchewan Inc. generated $35.0 million in cash related to net investing activities in 2005 (2004 – $133.8 million) including payments from Saskferco totaling $34.3 million. Investments made in 2005 included Solido ($1.0 million), Bioriginal ($2.5 million), Beauval ($1.0 million), Foragen ($1.0 million) and Big Sky ($1.8 million).

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Long-term debt consists of $14.8 million (net of sinking funds) due to the GRF, and debentures to OMERS and Sun Life for $46.0 million. The debentures to OMERS and Sun Life resulted from the debt swap with MLPLP. As a Crown corporation separate from CIC, Investment Saskatchewan Inc. actively manages cash flows and borrowing requirements. The Corporation anticipates being self-supporting from its current cash position and investments in 2006.

Risk Management

Investments and related risks are diligently monitored on an ongoing basis by experienced investment managers.

They provide periodic reporting and recommendations to the Corporation's executive and the Board of Directors in regards to investment returns, risks and investment strategy, including investment retention or sale. Investment Saskatchewan regularly assesses the appropriateness of the carrying value of investments, and writes down an investment if management determines that there is a decline in the value of an investment that is not considered temporary. As part of this regular assessment, writedowns of investments and provisions for loan losses totaling $111.7 million have been taken in 2005. Notwithstanding these writedowns and provisions, management strives to maximize the ultimate returns from these investments. As part of routine operations, the Corporation reviews its risk management framework annually.

Outlook

Investment Saskatchewan's outlook related to investment values, earnings and cash flow performance, as well as dividend payment and its ability to be self-supporting are highly dependent on the performance and management of the underlying investment portfolio.

The Corporation undertook valuation reviews quarterly in 2005 as well as an extensive annual re-valuation of investments as at December 31, 2005, resulting in certain provisions being recorded. Management will continue quarterly valuations throughout 2006. The commodity-based environments in which major investments operate are volatile resulting in negative impacts on earnings if there are downturns in these markets. In particular, continued losses are projected for MLPLP. The Corporation is working closely with the Meadow Lake pulp mill which was placed in CCAA protection at the end of 2005 to achieve cost savings and facilitate a sale of the business.

Management will continue monitoring market conditions for possible impairment of investments and will take provisions if required.

Investment Saskatchewan is cautiously optimistic that it will be profitable in 2006, despite anticipated challenges faced by some investments.

Should suitable opportunities arise, Investment Saskatchewan forecasts making up to $50 million in investments in 2006.

Depending on receipt of cash flows from investments, in particular anticipated cash flows from HARO, and the timing and value of investment opportunities, Investment Saskatchewan anticipates being self-supporting in cash requirements. Dividends to be declared to CIC in 2006 are dependent on these same factors.

Investment Saskatchewan anticipates exiting a number of investments in 2006, and as a result the following investments have been included in the consolidated financial statements as assets held for disposal: Hypor, Crown Life, Centennial, and MLPLP.

Investment Saskatchewan

Consolidated Financial Statements

Management's Responsibility for Financial Statements

The accompanying financial statements included in the annual report of **Investment Saskatchewan Inc.** for the year ended December 31, 2005 are the responsibility of management and have been approved by the Board of Directors. Management has prepared the consolidated financial statements in accordance with generally accepted accounting principles in Canada. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Management maintains a system of internal controls to support the integrity of information that forms the basis of the financial statements. The internal control systems provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit and Finance Committee, consisting solely of outside directors, which meets periodically with management, the external auditor and the Provincial Auditor of Saskatchewan. The Audit and Finance Committee has met with management, the external auditor, and the Provincial Auditor of Saskatchewan to review the Corporation's annual consolidated financial statements prior to submission to the Board of Directors for final approval.

The consolidated financial statements have been audited by the independent firm of KPMG LLP Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.

Janet Wightman
President and CEO

Laurie Powers, CA
Chief Financial Officer
March 2, 2006

Auditors' Report

To the Members of the Legislative Assembly, Province of Saskatchewan.

We have audited the consolidated statement of financial position of **Investment Saskatchewan Inc.** as at December 31, 2005 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan
March 2, 2006

Consolidated Statement of Financial Position

As at December 31
(thousands)

	2005	2004 (Note 4)
ASSETS		
Current		
Cash and short-term investments (Note 3)	$ 182,403	$ 171,132
Interest and dividends receivable	1,884	1,651
Accounts receivable	6,570	812
Inventory	33,239	-
Prepaid expenses	1,200	191
Current assets of discontinued operations (Note 4)	404,976	61,311
	630,272	235,097
Investments (Note 5)	221,170	259,292
Property, plant and equipment (Note 6)	107,037	633
Other assets (Note 7)	14,264	544
Long-term assets of discontinued operations (Note 4)	389,307	209,339
	$ 1,362,050	$ 704,905
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Bank indebtedness (Note 8)	$ 10,150	$ -
Dividend payable	-	42,341
Accounts payable and accrued liabilities	13,069	1,688
Current liabilities of discontinued operations (Note 4)	164,630	35,753
Long-term debt due within one year (Note 9)	57,592	-
	245,441	79,782
Asset retirement obligation (Note 10)	13,069	2,375
Long-term debt (Note 9)	67,188	15,071
Future income taxes (Note 11)	20,064	-
Long-term liabilities of discontinued operations (Note 4)	414,119	39,944
	759,881	137,172
Non-controlling interest	38,983	-
Non-controlling interest in discontinued operations (Note 4)	46,784	-
Shareholder's Equity		
Share capital (Note 12)	530,194	530,194
(Deficit) Retained earnings	(13,792)	37,539
	516,402	567,733
	$ 1,362,050	$ 704,905

Commitments and contingencies (Note 13)

(See accompanying notes)

On behalf of the Board:

Director ____________________ Director ____________________

Consolidated Statement of Operations and Deficit

For the Year Ended December 31
(thousands)

	2005	2004 (Note 4)
REVENUES		
Sale of goods and services	$ 112,723	$ -
Interest and other	9,227	4,242
Earnings from equity investments (Note 5(j))	37,921	31,708
Gain on sale of investments	1,007	1,690
	160,878	37,640
EXPENSES		
Operating expenses	87,174	7,357
Amortization	9,084	170
Financing expense	10,895	1,808
	107,153	9,335
EARNINGS BEFORE THE FOLLOWING	53,725	28,305
Provision for environmental costs (Note 10)	10,279	-
(Recovery of) provision for loan losses (Note 5(k))	(998)	3,857
Writedown of investments (Note 5(l))	4,399	2,975
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	40,045	21,473
Future income tax (Note 11)	8,877	-
EARNINGS BEFORE NON-CONTROLLING INTEREST	31,168	21,473
Non-controlling interest	3,421	-
EARNINGS FROM CONTINUING OPERATIONS	27,747	21,473
Loss from discontinued operations (Note 4)	115,422	2,205
NET (LOSS) EARNINGS	(87,675)	19,268
RETAINED EARNINGS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	37,539	60,612
ADJUSTMENT RELATED TO A CHANGE IN ACCOUNTING POLICY (Note 2(p))	36,344	-
RETAINED EARNINGS, BEGINNING OF YEAR, AS RESTATED	73,883	60,612
DIVIDENDS	-	42,341
(DEFICIT) RETAINED EARNINGS, END OF YEAR	$ (13,792)	$ 37,539

(See accompanying notes)

Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands)

	2005	2004 (Note 4)
OPERATING ACTIVITIES		
Earnings from continuing operations	$ 27,747	$ 21,473
Dividends from equity investments	21,054	3,419
Items not affecting cash from operations (Note 14)	(4,033)	(24,869)
Net change in non-cash working capital balances related to operations (Note 15)	(5,710)	(1,723)
Cash provided by (used in) operating activities from continuing operations	39,058	(1,700)
Cash provided by operating activities from discontinued operations	24,372	36,094
Cash provided by operating activities	63,430	34,394
INVESTING ACTIVITIES		
Proceeds from collection and sale of investments	45,000	20,070
Purchase of investments	(12,102)	(9,518)
Proceeds from sale of property, plant and equipment	509	1,238
Purchase of property, plant and equipment	(19,283)	(527)
Cash acquired on business acquisitions	5,194	-
Cash provided by investing activities from continuing operations	19,318	11,263
Cash provided by investing activities from discontinued operations	49,853	123,068
Cash provided by investing activities	69,171	134,331
FINANCING ACTIVITIES		
Decrease in long-term debt	(19,839)	(232)
Proceeds from long-term debt	15,682	-
Decrease in bank indebtedness	(607)	-
Dividends paid	(42,341)	-
Cash used in financing activities from continuing operations	(47,105)	(232)
Cash used in financing activities from discontinued operations	(7,779)	(3,130)
Cash used in financing activities	(54,884)	(3,362)
INCREASE IN CASH POSITION	77,717	165,363
CASH POSITION, BEGINNING OF YEAR	173,333	7,970
CASH POSITION, END OF YEAR (Note 3)	$ 251,050	$ 173,333

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 2005

1. The Corporation

Investment Saskatchewan Inc. (the Corporation) provides investment capital and financing, and prudently manages portfolios of commercially viable investments. The Corporation was incorporated under *The Business Corporations Act (Saskatchewan)* on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Provincial Crown corporation. Effective September 3, 2003 by Order in Council 700/2003, which made effective *The Crown Corporation Amendment Regulations, 1993*, the Corporation was designated a subsidiary of CIC to which the provisions of *The Crown Corporations Act, 1993* apply. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to federal and provincial income taxes. Certain of the Corporation's investments are subject to federal and provincial income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Subsidiaries

These consolidated financial statements include the accounts of Investment Saskatchewan Inc. and its subsidiaries:

101069101 Saskatchewan Ltd.
Big Sky Farms Inc.
CIC Foods Inc.
CIC FTLP Holdings Inc.
CIC FTMI Holdings Inc.
CIC OSB Products Inc.
CIC Pulp Ltd.
CIC PVF Holdings Inc.
CIC Swine Genetics Holdings Inc.
CIC WLSVF Holdings Inc.
HARO Financial Corporation
Investment Saskatchewan Swine Inc.
Saskatchewan Valley Potato Corporation

All material inter-company transactions have been eliminated on consolidation.

Investments

These consolidated financial statements also include cost and equity based investments held by the Corporation as described below.

Investments in the form of debentures, loans and other advances are recorded at cost.

Where the Corporation has investments over which it exercises significant influence, the investments are accounted for using the equity method. The Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

Investments in which the Corporation does not exercise significant influence are recorded at cost, with dividends from these investments recorded as income when received or receivable.

Notes to Consolidated Financial Statements

December 31, 2005

2. Summary of significant accounting policies (continued)

Investments in properties held for sale are recorded at the lower of cost and net realizable value.

Where there has been a decline in the value of a share investment that is not considered temporary, the investment is written down to its estimated fair value.

Joint Ventures

The Corporation has accounted for its joint venture interests using the proportionate consolidation method. The consolidated financial statements therefore include the Corporation's proportionate share of the book value of the assets, liabilities, revenues, expenses, and cash flows of joint venture interests.

The Corporation's share of jointly controlled enterprises included in the consolidated financial statements is as follows:

i) Continuing operations	
Foragen Technologies Limited Partnership (Foragen)	33%
ii) Discontinued operations	
Meadow Lake Pulp Limited Partnership (MLPLP)	50%
Hypor LP	50%
Hypor B.V.	50%
Centennial Foods Partnership (Centennial)	35%

Corporate Entity

Separate audited non-consolidated financial statements have been prepared to show the financial position, results of operations and cash flows for the Investment Saskatchewan Inc. corporate entity.

b) Fiscal year

These consolidated financial statements are presented as at December 31 and include the results of Centennial Foods Partnership as at its year end of October 30. All other investments are included as at December 31.

c) Disposal of long-lived assets and discontinued operations

Long-lived assets are classified as held for sale when specific criteria are met, in accordance with CICA Handbook Section 3475 "Disposal of Long-Lived Assets and Discontinued Operations". Assets held for sale are measured at the lower of their carrying amounts and fair value less costs to dispose and are no longer amortized. Assets and liabilities held for sale are reported separately on the balance sheet. A component of the Corporation that is held for sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Corporation will not have a significant continuing involvement in the operations of the component after the disposal transaction.

d) Inventory

Inventory is valued at the lower of cost and net realizable value.

Notes to Consolidated Financial Statements

December 31, 2005

2. Summary of significant accounting policies (continued)

e) Property, plant and equipment

Property, plant and equipment are recorded at cost.

When property, plant and equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Deficit.

Amortization of property, plant and equipment is primarily recorded on the straight-line basis over the estimated productive life of each asset using the following amortization rates:

Buildings	10 - 40 years
Equipment	3 - 15 years
Lagoons and wells	30 years

f) Breeding stock

Breeding stock is recorded at cost. Amortization is calculated using the straight-line method over the estimated productive life of the animals using the following guidelines:

Sows	6 farrowings
Boars	24 months

g) Sinking funds

Sinking funds are recorded at cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its estimated fair value.

h) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The Corporation identifies goodwill impairment by comparing the fair value of its reporting units to their carrying amounts. Fair values of reporting units are calculated using industry specific valuation methods which include discounted cash flow, earnings multiple and market comparability approaches. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the Consolidated Statement of Operations and Deficit before net earnings.

Notes to Consolidated Financial Statements

December 31, 2005

2. Summary of significant accounting policies (continued)

i) Revenue recognition

Revenue from the sale of products is recognized when goods are shipped and title has passed to the customer.

Revenue from the provision of services is recognized as the services are provided.

Interest earned on investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. When collectibility of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income.

j) Derivative financial instruments

The Corporation uses derivative financial instruments to manage its exposure to interest rate, commodity price and foreign exchange rate fluctuations. The Corporation does not enter into financial instruments for trading or speculative purposes.

The Corporation documents relationships between hedging instruments and hedged items, as well as its risk management objective and strategy. At the inception of the hedge and on an ongoing basis, the derivative financial instruments are assessed to determine if they are highly effective in offsetting changes in the cash flow of hedged items. When derivative financial instruments have been designed as a hedge and are highly effective, hedge accounting is applied. Hedge accounting ensures that the counterbalancing gains, losses, revenues and expenses on transactions or financial assets or liabilities and the related hedging instruments are recognized in income in the same period or periods. Hedge gains and losses on all hedged items are included in the related income or expense item in the Statement of Operations and Deficit. Where a derivative financial instrument is not designated as a hedge or is not highly effective as defined by the Canadian Institute of Chartered Accountants ("CICA"), the derivative is marked-to-market and carried at fair value of the asset or liability on the Statement of Financial Position. The change in fair value is recognized in income. A hedging relationship is terminated if the hedge ceases to be effective. If a hedging relationship is terminated, the difference between the fair value and the accrued value of the hedging derivatives upon termination is deferred and recognized into earnings on the same basis as gains, losses, revenue and expenses of the previously hedged item.

Interest rate swap agreements are used to manage the fixed and floating interest rate mix of the Corporation's debt. Hedge accounting treatment results in interest expense on the related debt being reflected at hedge rates rather than the original contractual interest rates.

The Corporation enters into hedges of its foreign currency exposures on hog sales which are based on a US dollar price by entering into offsetting forward exchange contracts. Hedge accounting treatment results in the related hog sales reflecting the hedged exchange rate.

In addition, the Corporation enters into forward contracts with respect of its hog sales and feed component purchases. These contracts do not meet the CICA definition of a highly effective hedge. Accordingly, they are marked-to-market and carried at the fair value of assets or liabilities, as appropriate, with changes in fair value recognized in other income.

Notes to Consolidated Financial Statements

December 31, 2005

2. Summary of significant accounting policies (continued)

k) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment, are amortized over their useful lives. The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

l) Asset retirement obligations

The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations to decommission facilities in the period in which the facility is commissioned. For assets that are expected to be maintained and operated indefinitely a reasonable estimate of fair value for the assets cannot be determined. Therefore no obligation has been recorded.

The fair value of the estimated asset retirement costs is recorded as a liability with an offsetting amount capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included in operating expense.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation.

Asset retirement obligations are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of long-lived assets. Changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost.

m) Environmental remediation liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites. These liabilities are based on management's best estimate considering current environmental laws and regulations and the estimates have been recorded at undiscounted amounts. The Corporation reviews its estimates of future expenditures on an ongoing basis.

Notes to Consolidated Financial Statements

December 31, 2005

2. Summary of significant accounting policies (continued)

n) Stock-based compensation

One of the Corporation's subsidiaries has a stock option plan for certain of its directors, officers and employees. The subsidiary does not account for compensation related to stock options granted to employees prior to 2002 as allowed under the transitional provisions of Section 3870 of the CICA Handbook. Had the fair value method been adopted for the stock options, the Corporation's net income would have decreased by $0.4 million (2004 - $0.4 million).

o) Income taxes

One of the Corporation's subsidiaries recognizes future income taxes for the expected future tax consequences of differences between the carrying amount of statement of financial position items and their corresponding tax values. Future income tax assets are amounts of income tax benefits arising in respect of deductible temporary differences and carry forward of unused tax losses. Future income tax liabilities are the amounts of income taxes arising from taxable temporary differences. The subsidiary computes future income taxes using the enacted corporate income tax rates for the years in which the differences are expected to reverse.

p) Change in accounting policy

Accounting Guideline 15 – Consolidation of Variable Interest Entities (AcG-15) of the CICA Handbook is effective for periods beginning on or after November 1, 2004; as a result, the Corporation adopted this standard effective January 1, 2005. AcG-15 relates to the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. The purpose of AcG-15 is to provide guidance for determining when an enterprise includes the assets, liabilities and results of activities of such an entity (a "variable interest entity") in its consolidated financial statements.

An entity falls under the guidance in AcG-15 and is classified a variable interest entity ("VIE") if it has (1) equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or (2) equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that will absorb a majority of the expected losses or will receive the majority of the expected residual returns or both, as a result of ownership, contractual or other financial interests in the VIE.

The Corporation has determined that the following entities fall under the classification of a VIE and have been consolidated in these financial statements:

HARO Financial Corporation (HARO)
Meadow Lake Pulp Limited Partnership (MLPLP)
Prairie Ventures Limited Partnership (PVF)

Prior to January 1, 2005 the Corporation accounted for HARO as a loan receivable, and MLPLP and PVF using the equity method. The impact of consolidating these VIEs on the balance sheet and income statement as at December 31, 2005 was to increase (decrease) assets, liabilities and income as follows:

Notes to Consolidated Financial Statements

December 31, 2005

2. Summary of significant accounting policies (continued)

		(thousands)
Assets:		
Cash	$	4,010
Net current assets		41,026
Current assets of discontinued operations		329,333
Long-term investments		(106,911)
Property, plant and equipment		106,549
Other assets		14,264
Long-term assets of discontinued operations		382,497
	$	770,768
Liabilities and Shareholder's Equity:		
Net current liabilities		28,521
Current liabilities of discontinued operations		125,821
Net long-term liabilities		76,748
Long-term liabilities of discontinued operations		407,234
Non-controlling interest		38,983
Non-controlling interest in discontinued operations		46,784
Retained earnings		46,677
	$	770,678

Restatement of comparative financial information is not required by AcG-15. The cumulative effect to retained earnings on the adoption of AcG-15 as at January 1, 2005 is an increase of $36.3 million. Net income in 2005 increased $10.3 million as a result of the consolidation of these VIEs.

q) Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and related disclosures during the reporting period. Certain estimates, including useful lives of depreciable assets used to compute amortization, the valuation of inventory and breeding stock, asset impairment, the carrying amounts of investments, provisions for contingencies related to environmental clean-up activities, valuation of assets and liabilities of discontinued operations, and accounting for variable interest entities, require management to make subjective or complex judgments. Accordingly, actual results could differ from these and other estimates thereby impacting future results by a material amount.

Notes to Consolidated Financial Statements

December 31, 2005

3. Cash and short-term investments

The major components of cash and short-term investments are as follows:

(thousands)

	2005	2004
Cash on deposit	$ 8,754	$ 5,227
Short-term investments, at rates of interest varying between 3.07% and 3.45% (2004 – 2.42% and 2.57%) invested with the General Revenue Fund	173,649	165,905
	$ 182,403	$ 171,132
Cash consists of:		
Cash of continuing operations	8,754	5,227
Short-term investments of continuing operations	173,649	165,905
Cash and cash equivalents of continuing operations	182,403	171,132
Cash of discontinued operations	68,647	2,201
	$ 251,050	$ 173,333
Supplementary cash flow information:		
Interest paid	$ 9,799	$ 1,808

4. Discontinued operations

During the year, the Corporation determined that the four businesses below would be discontinued. The Corporation has reclassified as discontinued operations, the assets and liabilities, revenues and expenses, and cash flows of the four businesses for 2005 and has reclassified 2004 figures to reflect the same.

Hypor

In January 2006, the Corporation entered into an agreement to sell all of its ownership interests in Hypor LP, Hypor B.V., and Euribrid Espana S.A. Additional sale information is included in subsequent events, Note 20.

The Corporation has determined that it will have no continuing involvement in the operations of these businesses after completion of the sale. Therefore, the Corporation classified as discontinued operations, the operating results of Hypor for 2005 and 2004.

Crown Life Insurance Company (Crown Life)

In 1999, substantially all of Crown Life's insurance business was sold or indemnity reinsured to The Canada Life Assurance Company (Canada Life). The resulting comprehensive agreement between Crown Life and its principal shareholders, provides that at any time after January 1, 2004, Canada Life may either acquire substantially all of the balance of Crown Life's insurance business or, at the election of Canada Life or Crown Life's principal shareholders, make an offer for all of the common shares of Crown Life. In July 2003, Great West Life acquired Canada Life, which resulted in a delay in the start of negotiations with Crown Life on the final settlement of the Canada Life transaction.

Recent discussions with Crown Life, Canada Life, and Great West Life have indicated that the second and final close of the sale of Crown Life will take place in 2006. The final close will result in the distribution of cash and invested assets to the shareholders. The Corporation has determined that it will have no continuing involvement in the operations of Crown Life after completion of the final close, and has classified as discontinued operations, the operating results of Crown Life for 2005 and 2004.

Notes to Consolidated Financial Statements

December 31, 2005

4. Discontinued operations (continued)

Centennial Foods Partnership

On July 30, 2005, Centennial Foods Partnership restructured its operations into three separate partnerships, Centennial Foodservice Partnership, New Food Classics Partnership, and Centennial 67 Partnership.

In February 2006, New Food Classics Partnership was sold to a third party. Details of the sale are included in subsequent events, Note 20. During 2006, the Corporation anticipates disposing of its interests in Centennial Foodservice Partnership and Centennial 67 Partnership. The Corporation has determined that it will have no continuing involvement in the operations of this business after completion of the sales. Therefore, the Corporation classified as discontinued operations, the operating results of Centennial Foods Partnership for 2005 and 2004.

Meadow Lake Pulp Limited Partnership (MLPLP)

On December 28, 2005, MLPLP obtained creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"). The CCAA Order provided for a 30 day general stay period that expired on January 27, 2006, and has been extended to March 31, 2006. The stay generally precludes parties from taking any actions against MLPLP for breach of contractual or other obligations. The CCAA process will also provide time in which to investigate all options with respect to the future of the mill including the development of a cost reduction plan and pursuing potential purchasers of the mill.

On January 9, 2006, the Corporation approved the provision of up to $15 million in Debtor-in-Possession (DIP) financing to the pulp mill. The purpose of this temporary short-term liquidity facility is to assist the pulp mill during its restructuring efforts. The DIP facility is secured by mortgages, general security agreements, share pledges in respect of all shares owned by or on behalf of the Borrowers, and other interests, fixed and floating charge debentures, security interests, hypothecs or equivalent, including without limitation, mortgages on all real property, first in priority against all assets of the pulp mill, subject only to the Administrative Charge and the Directors' Charge as provided in the CCAA Order and to the prior security of HSBC Bank Canada.

In June 2005, the Corporation engaged a consulting firm to manage a sales process for MLPLP. A number of parties around the world were contacted including companies in the paper, pulp, and OSB sectors, as well as a number of financial investors. Follow up discussions have begun with some of the parties, and the Corporation anticipates selling its interest in MLPLP during 2006. The Corporation has determined that it will have no continuing involvement in the operations of this business after completion of the sale. Therefore, the Corporation classified as discontinued operations, the operating results of MLPLP for 2005 and 2004.

Notes to Consolidated Financial Statements

December 31, 2005

4. Discontinued operations (continued)

Assets held for disposal are comprised of the following:

(thousands)

	2005	2004
Cash	$ 68,647	$ 2,201
Accounts receivable	24,036	24,136
Inventory	47,630	33,016
Prepaid expenses	3,967	1,958
Short-term investments (a)	240,019	-
Long-term assets classified as current (b)	20,677	-
	404,976	61,311
HARO term loan (c)	-	83,448
MLPLP loan receivable (d)	-	19,188
Long-term investments (e)	381,998	3,646
Property, plant and equipment	2,113	95,399
Other assets	5,196	7,658
	389,307	209,339
	$ 794,283	$ 270,650

Obligations related to assets held for disposal are comprised of the following:

	2005	2004
Bank indebtedness (f)	$ 18,159	$ 14,230
Accounts payable and accrued liabilities	141,576	16,100
Long-term debt due with one year	665	5,423
Long-term liabilities classified as current (b)	4,230	-
	164,630	35,753
Long-term debt (g)	26,441	39,944
Other liabilities (h)	387,678	-
	414,119	39,944
Non-controlling interest	46,784	-
	$ 625,533	$ 75,697

Discontinued operations are comprised of the following:

	2005	2004
Revenue	$ 344,907	$ 236,359
Expenses (d)	460,329	238,564
Loss from discontinued operations	$ (115,422)	$ (2,205)

Included in the above schedules is the Corporation's pro-rata share of its interest in the joint ventures of Hypor, MLPLP and Centennial.

Notes to Consolidated Financial Statements

December 31, 2005

4. Discontinued operations (continued)

a) Short-term investments consist of money market instruments with an original maturity greater than 90 days and less than one year. At December 31, 2005 the weighted average yield on such instruments was 4.0%.

b) Long-term assets and long-term liabilities that have been sold since December 31, 2005 have been reclassified to current assets and current liabilities.

c) As a result of the adoption of AcG-15, the Corporation has determined that consolidation of HARO as a variable interest entity is required and has consolidated HARO's operations for 2005. The Corporation has not restated prior periods, but applied the requirements of the guidance effective January 1, 2005.

The fair value of HARO is subject to measurement uncertainty since the value is dependent on proceeds received on the final close of the sale of Crown Life. Management's estimate of the fair value of HARO is based on assumptions that reflect the most probable set of economic circumstances. However this estimate could change materially in the near term.

d) As a result of the adoption of AcG-15, the Corporation has determined that consolidation of MLPLP as a variable interest entity is required and has consolidated MLPLP's operations for 2005. The Corporation has not restated prior periods, but applied the requirements of the guidance effective January 1, 2005.

The Corporation made several loans to MLPLP with interest rates ranging from 6% to 11.15% maturing in 2014. In accordance with AcG-15, these loans have been eliminated on consolidation in the current year.

The fair value of MLPLP is subject to measurement uncertainty since the value is dependent upon the present value of the cash flows provided by MLPLP operations. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation has taken a writedown of $109.7 million in the current year, against the carrying value of its investment in MLPLP, resulting in a net carrying value of $4 million on its investment in MLPLP. However, given the wide fluctuations in world commodity prices for pulp, and the U.S. / Canada exchange rate, this estimate could change materially in the near term.

e) Long-term investments include bonds and mortgage loans of $359.1 million with maturities ranging from under 5 years to over 10 years. At December 31, 2005, the weighted average effective annual investment yields for the portfolios of bonds and mortgage loans are 6.0% and 8.8% respectively. Bonds with carrying values of $7.0 million have been pledged as security for letters of credit or derivative instruments. The share portfolio of $25.5 million consists of equity investments in private corporations.

f) Bank indebtedness includes operating credit facilities to a maximum $68 million (2004 - $64 million) subject to margining requirements based on accounts receivable and inventory levels. The facilities bear interest at rates ranging from 5% to 5.75% (2004 – 4.25% to 5.75%).

g) The Corporation has term loans and mortgages payable with interest rates ranging from nil% to 11.15% (2004 – nil% to 11.15%) with maturities extending to 2014 (2004 - 2014).

h) Other liabilities substantially consist of policy liabilities of Crown Life. The policy liabilities include provision for future policy benefits, policyholders' funds on deposit and benefits payable and provision for unreported claims.

Notes to Consolidated Financial Statements

December 31, 2005

4. Discontinued operations (continued)

i) The future minimum payments under operating leases and contractual obligations for services in each of the next five years are as follows:

	(thousands)
2006	$ **3,364**
2007	**930**
2008	**721**
2009	**329**
2010	**187**

j) Related Party Transactions of Discontinued Operations

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are summarized as follows:

		(thousands)
Category (as per financial statements)	**2005**	2004
Accounts receivable	$ **77**	$ 56
Prepaid expenses	**3,000**	682
Accounts payable and accrued liabilities	**8,052**	81
Sale of products and services	**643**	571
Operating expenses	**61,682**	30,057

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

5. Investments

		(thousands)
Debentures, loans and other advances	**2005**	2004
Loan principal receivable, (a)	$ **26,787**	$ 22,828
Lease options	**918**	1,065
Less: Provision for loan losses	**(10,927)**	(12,286)
	16,758	11,607

Notes to Consolidated Financial Statements

December 31, 2005

5. Investments (continued)

	Percentage Ownership	2005	2004
Equity investments			
Big Sky Farms Inc. (Big Sky) (b)	68.4%	$ -	$ 21,649
Bioriginal Food & Science Corp. (c)	49.3%	4,199	-
Meadow Lake OSB Limited Partnership (ML OSB) (d)	25.0%	34,963	43,940
Prairie Ventures Limited Partnership (PVF) (e)	56.4%	-	10,811
Saskferco Products Inc. (Saskferco) (f)	49.5%	129,537	136,637
Western Life Sciences Venture Fund Limited Partnership (WLS) (g)	20.1%	1,688	2,768
Other		1,264	664
		171,651	216,469
Portfolio investments			
Premium Brands Income Fund		11,556	12,188
Primaxis Technology Ventures Incorporated		1,262	5,000
Other		16,789	9,485
		29,607	26,673
Property holdings (h)		3,154	4,543
		$ 221,170	$ 259,292

a) As at December 31, 2005, the Corporation holds various loans with interest rates ranging from 3.70% to 15% (2004 – 3.70% to 15%) and maturities extending from 2006 to 2022 (2004 – 2005 to 2022).

b) The Corporation holds a 68.4% (2004 – 68.4%) interest in Big Sky, a hog production operation headquartered in Humboldt, Saskatchewan. During the year, the Corporation exercised its warrants and acquired 825,000 preferred shares for $2.8 million and, subsequently, converted all 6,575,000 preferred shares into 6,575,000 common shares. The debentures held at December 31, 2004 were fully repaid during the year.

As a result of the adoption of AcG-15, the Corporation has consolidated its investment in HARO. HARO's ownership of shares of Big Sky has resulted in the consolidation of Big Sky. The Corporation has not restated prior periods, but applied the requirements of the guidance effective January 1, 2005. There was no impact on opening retained earnings.

c) The Corporation holds a 49.3% (2004 – 26.3%) interest in Bioriginal Food & Science Corp., a producer and marketer of natural oils and plant products throughout North America and Europe, based in Saskatoon, Saskatchewan. During the year, the Corporation purchased 24,298 Class A common shares and 30,048 Class D preferred shares for total consideration of $4.9 million. Included in the investment balance above is $2.7 million (2004 - $nil) of intangible assets identified upon acquisition. The various intangible assets are being amortized over useful lives ranging from 0.5 years to 5 years.

Notes to Consolidated Financial Statements

December 31, 2005

5. Investments (continued)

d) The Corporation, through its wholly-owned subsidiary CIC OSB Products Inc. (CIC OSB), is a limited partner in Meadow Lake OSB Limited Partnership (ML OSB). ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan. CIC OSB holds a 25% (2004 - 25%) interest in ML OSB.

The Corporation has issued 19,980,000 options to certain parties to purchase its units of ML OSB. The exercise price on 9,980,000 units is fair market value, and the exercise price on 10,000,000 units is cost, plus pro-rata share of capital taxes paid, less distributions received, plus interest. The expiry date for 9,980,000 units is October 2008 and the expiry date for 10,000,000 units is December 2011. If all options are exercised, the Corporation's interest would be diluted to 6.8%.

The Corporation calculates its share of earnings using the equity method for the 9,980,000 units and the 7,500,000 (6.8%) non-optioned units, and the modified cost method, as described above, is used for the remaining 10,000,000 units.

e) The Corporation, through its wholly-owned subsidiary, CIC PVF Holdings Inc. (CIC PVF), is a limited partner in Prairie Ventures Limited Partnership (PVF), a venture capital fund which provides capital to grow small and medium sized companies primarily in Saskatchewan. CIC PVF holds 10,433 (2004 - 10,254) partnership units and a 56.4% (2004 - 57.0%) interest in PVF.

As a result of the adoption of AcG-15, the Corporation has consolidated its investment in PVF. The Corporation has not restated prior periods, but applied the requirements of the guidance effective January 1, 2005.

f) The Corporation holds 68,449,080 (2004 - 68,449,080) Class B common shares equivalent to a 49.5% (2004 - 49.5%) interest in Saskferco, a nitrogen fertilizer plant, located in Belle Plaine, Saskatchewan.

The Corporation also holds Class B subordinated notes of Saskferco, due June 1, 2014. Interest is calculated at the CDOR rate on June 1 of each year and is receivable on May 31 of the following year. The Corporation's equity in Saskferco is $112.6 million (2004 - $85.4 million) and the remaining balance of the subordinated notes is $16.9 million (2004 - $51.2 million). The balance of the subordinated notes including interest was received on January 11, 2006.

g) The Corporation, through its wholly-owned subsidiary CIC WLSVF Holdings Inc. (CIC WLSVF) is a limited partner in Western Life Sciences Venture Fund (WLS). WLS offers seed capital for human biotechnology, primary pharmaceuticals, biological, and neutraceutical products. CIC WLSVF holds 7,600 (2004 – 7,600) partnership units and a 20.1% (2004 – 20.1%) interest in WLS.

h) The Corporation owns $3.2 million (2004 - $4.5 million) in land, buildings and other properties held for resale.

i) Debentures, loans and other advances maturing in 2006 total $1.7 million (2005 - $1.6 million).

Notes to Consolidated Financial Statements

December 31, 2005

5. Investments (continued)

j) Earnings (losses) from equity investments are as follows:

(thousands)

	2005	2004
Big Sky Farms Inc.	$ -	$ 2,866
Bioriginal Food & Science Corp.	(105)	-
Meadow Lake OSB Limited Partnership	11,939	15,801
Prairie Ventures Limited Partnership	-	622
Saskferco Products Inc.	27,167	19,667
Western Life Sciences Venture Fund	(1,080)	(3,429)
Other	-	(3,819)
	$ 37,921	$ 31,708

k) Provision for (recovery of) loan losses:

	2005	2004
Balance, January 1	$ 12,286	$ 10,224
Provision for losses	613	3,857
Recoveries of provisions for losses	(1,611)	-
Write-offs	(361)	(1,795)
Balance, December 31	$ 10,927	$ 12,286

l) Writedown of investments:

	2005	2004
Cost-basis investments - writedowns	$ 6,024	$ 5,915
Equity investments – recoveries	-	(2,523)
Properties – recoveries	(1,625)	(417)
	$ 4,399	$ 2,975

6. Property, plant and equipment

(thousands)

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	$ 68,798	$ 13,893	$ 54,905	$ -
Equipment	56,493	15,721	40,772	633
Lagoons and wells	10,580	1,495	9,085	-
Land	2,275	-	2,275	-
	$ 138,146	$ 31,109	$ 107,037	$ 633

Amortization expense for the year is $6,416 (2004 - $77).

Notes to Consolidated Financial Statements

December 31, 2005

7. Other assets

(thousands)

	2005 Cost	2005 Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Breeding stock	$ 11,261	$ 1,705	$ 9,556	$ -
Goodwill	2,502	-	2,502	-
Other	5,740	3,534	2,206	544
	$ 19,503	$ 5,239	$ 14,264	$ 544

Amortization expense for the year is $2,668 (2004 - $93).

8. Bank indebtedness

Bank indebtedness includes an operating credit facility of $10 million related to hog production facilities. The interest rate on this facility is the Bankers Acceptance 30 day rate plus 0.75%. The credit facilities are secured by all assets of the hog production facilities and an assignment of insurance.

9. Long-term debt

(thousands)

	2005 Principal Outstanding	2005 Interest Rate	2004 Principal Outstanding	2004 Interest Rate
A. General Revenue Fund (GRF)				
Maturity Date				
June 2, 2006	$ 10,000	9.62	$ 10,000	9.62
July 10, 2007	4,000	9.83	4,000	9.83
March 3, 2008	3,000	9.62	3,000	9.62
August 10, 2008	3,919	10.06	3,919	10.06
	20,919		20,919	
Less: Sinking fund balance	(6,087)		(5,848)	
Total due to GRF	14,832		15,071	
B. Other long-term debt				
Maturity Date				
July 31, 2006 (a)	46,000	6.64	-	
August 22, 2010 (b)	44,422	prime +0.75	-	
November 10, 2008 (c)	4,847	prime +4.50	-	
June 1, 2008 (d)	4,112	prime	-	
Total other long-term debt	99,381		-	
C. Capital leases (e)	10,567	10.35	-	
	124,780		15,071	
Less: Due within one year (f)	(57,592)		-	
Total Long-Term Debt	$ 67,188		$ 15,071	

Notes to Consolidated Financial Statements

December 31, 2005

9. Long-term debt (continued)

a) Pursuant to Order in Council 337/2005 dated April 26, 2005, the Corporation, through its wholly-owned subsidiary 101069101 Saskatchewan Ltd., was authorized to acquire from Ontario Municipal Employees Retirement Board (OMERS) and Sun Life Assurance Company (Sun Life) the debentures of Meadow Lake Pulp Limited Partnership (MLPLP). The Corporation had previously indemnified CIC for the guarantee of these debentures. On April 27, 2005, pursuant to the authority granted by Order in Council 337/2005, 101069101 Saskatchewan Ltd. acquired these debentures for $52 million.

As payment, the Corporation issued debentures to OMERS and Sun Life for $52 million. The Corporation's debentures issued are identical to the MLPLP debentures in terms of principal payments, interest rate, and maturity date, specifically quarterly principal payments of $2 million, quarterly interest payments at 6.64%, and due date of July 31, 2006.

b) The Corporation has term loans outstanding that are repayable in monthly installments of $460 thousand plus interest at prime plus 0.75%. An additional annual payment is required based on a percentage of excess cash flow. The loans are secured by all assets of the hog production facility and assignment of life insurance. The loans are amortized over eleven years and mature on August 22, 2010.

c) The Corporation has subordinated debentures bearing interest at prime plus 4.5%, repayable on November 10, 2008. Security is all assets of the hog production facilities. At the option of the debenture holders, the outstanding balance is convertible into common shares of the hog production facilities.

d) The Corporation has a government hog loan bearing interest at prime, repayable in monthly installments of $137 thousand, secured by a general security interest in all assets of the hog production facilities.

e) The Corporation has capital leases with installments of $132 thousand blended principal and interest, bearing interest at a weighted average rate of 10.346%, secured by specific buildings and equipment of the hog production facilities.

f) Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands):

2006	$	**57,592**
2007		**11,482**
2008		**17,936**
2009		**6,240**
2010		**6,319**

10. Asset retirement obligation

The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of this liability. The extent of the clean-up activities and associated costs is unknown and may be material in the future. The Corporation has accrued $12.7 million (2004 - $2.4 million) to carry out the clean-up activities related to an indemnity provided by Prince Albert Pulp and Paper Company (PAPCO) and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 relating to the ERCO Chemical Plant. PAPCO was amalgamated with CIC Industrial Interests Inc. (now operating as Investment Saskatchewan Inc.) and as a result, the liability has been accrued by the Corporation. The asset retirement obligation also includes $0.4 million for decommissioning costs of production facilities.

Notes to Consolidated Financial Statements

December 31, 2005

11. Income taxes

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before income taxes. The main reason for the differences are as follows.

	(thousands) 2005
Net income of taxable subsidiaries	$ 18,842
Combined federal and provincial tax rate	39.19%
Computed tax expense based on the combined rate	7,370
Increase resulting from non-deductible items	1,507
Total future income tax expense	$ 8,877

The tax effect of temporary differences that give rise to significant portions of the future tax liability:

Future tax liability:

Property, plant and equipment - differences in net book value and undepreciated capital cost	$ 15,965
Other	6,152
Non-capital loss carryforwards (expire in 2008 to 2015)	(2,053)
Net future tax liability	$ 20,064

12. Share capital

	2005	(thousands) 2004
Authorized		
Unlimited common shares with no par value		
Issued and outstanding		
53,019,383 common shares (2004 - 53,019,383)	$ 530,194	$ 530,194

13. Commitments and contingencies

a) The Corporation has committed to invest up to $14.0 million in Foragen by October 13, 2010. The Corporation has provided $11.0 million of this commitment to December 31, 2005 (2004 - $10.0 million).

b) The Corporation has committed to invest up to $25.0 million in PVF subject to certain conditions. The Corporation has provided $10.5 million of this commitment to December 31, 2005 (2004 - $10.3 million).

c) The Corporation has committed to invest up to $2.0 million in Northwest Communities Holdings Inc. by March 30, 2006. The Corporation has provided $1.0 million of this commitment to December 31, 2005 (2004 - $nil).

d) The Corporation has indemnified Nutreco International B.V. for potential losses that may be incurred as a result of:

  i) a breach of representation or warranty in the merger documentation;

  ii) a breach of covenants contained in the merger documentation;

  iii) any undisclosed or unaccrued liabilities of Investment Saskatchewan Swine Inc. as of March 31, 2003 resulting from and/or attached to Investment Saskatchewan Swine Inc. or the net assets, contracts, claims or other obligations transferred to Hypor LP from Investment Saskatchewan Swine Inc.;

Notes to Consolidated Financial Statements

December 31, 2005

13. Commitments and contingencies (continued)

iv) claims made by a third party based on a non-competition covenant made by Investment Saskatchewan Swine Inc.; and,

v) except for the indemnity referred to in (iv), which is not subject to limitations, the indemnification is limited to aggregate losses in excess of 150,000 Euros to a maximum of $2.4 million.

e) On March 26, 2004, the Corporation entered into an Indemnity and Reimbursement Agreement (the indemnity) with Extendicare Inc. and the Directors and certain Officers of Crown Life. The Corporation indemnified the Directors and certain Officers of Crown Life for 65.2% of the costs, expenses, penalties, interest and reasonable legal fees arising out of any claim, suit or demand in respect of having declared and paid $29.2 million in dividends from Crown Life to HARO. The indemnity is limited to the dividend plus 10% or $32.1 million and terminates on the earlier of the final closing of the sale of Crown Life to Canada Life Assurance Company or April 1, 2010.

f) In 1998, the Corporation entered into a twelve year hog supply agreement with Mitchell's Gourmet Foods Inc. ("Mitchell's") whereby Mitchell's will purchase up to 85% of the Corporation's hog production to a total of 355,000 hogs per year. In addition, Mitchell's has the first right of refusal on an additional 145,000 hogs to a total of 500,000 market hogs. The price to be paid by Mitchell's will be determined based on the sale of the Corporation's remaining hogs on a bona fide, arm's length, commercial basis.

g) The future minimum payments under operating leases and contractual obligations for services in each of the next five years are as follows:

	(thousands)
2006	$ 1,195
2007	789
2008	728
2009	733
2010	733

h) In the normal course of business, the Corporation became involved in claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2005 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. The Corporation will therefore account for these matters in the period of resolution.

14. Items not affecting cash from operations

		(thousands)
	2005	2004
Provision for environmental costs	$ **10,279**	$ -
(Recovery of) provision for loan losses (Note 5(k))	**(998)**	3,857
Writedown of investments (Note 5(l))	**4,399**	2,975
Earnings from equity investments (Note 5(j))	**(37,921)**	(31,708)
Amortization	**9,084**	170
Gain on sale of investments	**(1,007)**	(1,690)
Future income taxes	**8,877**	-
Other non-cash items	**3,254**	1,527
	$ **(4,033)**	$ (24,869)

Notes to Consolidated Financial Statements

December 31, 2005

15. Net change in non-cash working capital balances related to operations

	2005	(thousands) 2004
Increase in interest and dividends receivable	**$ (161)**	$ (457)
(Increase) decrease in accounts receivable	**(873)**	1,203
Increase in inventory	**(7,741)**	(936)
(Increase) decrease in prepaid expenses	**(284)**	258
Increase (decrease) in accounts payable and accrued liabilities	**3,349**	(1,791)
	$ (5,710)	$ (1,723)

16. Financial risk management

a) Risk management activities

The Corporation is exposed to fluctuations in commodity prices, exchange rates and interest rates and has entered into contracts to hedge or manage its exposure. The Corporation does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counter parties.

i) Commodity prices

The Corporation is exposed to price risk on future hog sales and feed component purchases. The industry in which the Corporation operates has periods of high price volatility. The volatility is partially managed through forward pricing on the Chicago Mercantile Exchange (CME). Although the hedge program has proven effective in mitigating price risk for the Corporation, the relationship between the CME contracts and the cash price fall outside the acceptable correlation for a highly effective hedge as defined by the CICA (see Note 2). As a result, the Corporation recorded unrealized losses of $1.3 million in income with respect to these contracts.

The Corporation held forward instruments selling 20,599 tonnes of lean pork at an average price of $1,668.51/tonne ($1.67/kg) at December 31, 2005. In addition, the Corporation held the following forward instruments purchasing feed components at December 31, 2005. All forward contracts mature in less than six months.

	Average Price	
2,260 tonnes of Winnipeg wheat	$ 101.47	CDN/tonne
1,000 tonnes of Alberta barley	123.62	CDN/tonne
10,000 tons of soybean meal	445.42	US/ton
1,200 tons of soybean oil	185.90	US/ton

ii) Exchange rates

As a large portion of the Corporation's sales are settled in U.S. dollars, the Corporation sells U.S. dollars forward to reduce its foreign exchange risk. At December 31, 2005, the Corporation had entered into the following forward contracts selling the U.S. dollar at future dates, all maturing in less than six months:

	Year	Amounts (Cdn)	Rate Range	Average Rate
US$	2006	$23,500,000	$1.1481 – 1.1919	$1.1744

16. Financial risk management (continued)

iii) Interest rates

Under the terms of a credit agreement with Scotiabank which requires the interest rate on 50% of bank debt to be fixed, the Corporation entered into the following interest rate swap agreements:

Principal	Fixed rate	Holder	Term	Maturity
$ 4,900,000	3.74%	Bank of Montreal	3 years	October 3, 2008
4,900,000	3.92%	Scotiabank	5 years	October 4, 2010
6,500,000	4.10%	Scotiabank	4 years	October 2, 2006
6,500,000	4.10%	Bank of Montreal	4 years	October 2, 2006

In addition to the fixed rate, a banker's acceptance fee projected at 1.75% is charged.

b) Fair values

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Certain of the Corporation's financial instruments including: cash and short-term investments, interest and dividends receivable, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities have carrying amounts that approximate fair value due to their short-term maturity.

There is no active secondary market for many of the Corporation's loans, debentures, other advances, equity holdings, non-publicly traded common shares, and property holdings. The uncertainty and potentially broad range of fair values renders the disclosure of a fair value with appropriate reliability impractical.

At year end, the fair value of the following financial instruments is presented below:

(thousands)

	2005		2004	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Long-term debt, GRF	**$ 20,919**	**$ 22,440**	$ 20,919	$ 23,961
Long-term debt, other	**109,948**	**110,739**	-	-
Sinking funds	**6,087**	**6,087**	5,848	5,848

c) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions.

Credit risk relates to interest and dividends receivable, accounts receivable, debentures, loans and other advances, and counterparties to financial hedges. Interest and accounts receivable is diversified among many customers primarily in Saskatchewan. All outstanding debentures, loans and other advances are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation annually and all non-performing loans are included in the provision for loan losses. The Corporation maintains credit policies and limits in respect to counterparties to financial hedge transactions.

Notes to Consolidated Financial Statements

December 31, 2005

16. Financial risk management (continued)

d) Interest rate risk

The Corporation may be exposed to interest rate risk on maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place to offset interest rate risk.

17. Employee future benefits

The Corporation participates in a defined contribution pension plan that requires the Corporation to contribute 5.5% of employees' pensionable earnings and employees to contribute 5.5% of pensionable earnings. The Corporation's obligation is limited to the required contribution. The total cost for the defined contribution plan is equal to the Corporation's required contribution. The Corporation's 2005 pension cost and employer contributions are $83 thousand (2004 - $30 thousand).

18. Related party transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

				(thousands)
		2005		2004
Category (as per financial statements)				
Interest and dividends receivable	**$**	**1,498**	$	1,428
Accounts receivable		**533**		-
Accounts payable and accrued liabilities		**1,143**		866
Sale of goods and services		**45,206**		-
Interest and other revenues		**6,036**		2,438
Operating expenses		**5,914**		2,200
Interest expense		**1,911**		1,808

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

These consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

Notes to Consolidated Financial Statements

December 31, 2005

19. Joint ventures

The Corporation has joint control over the operating, investing and financing policies of Foragen Technologies Limited Partnership through CIC FTLP Holdings Inc. The Corporation's pro rata share of its interest in this joint venture, included in continuing operations, is as follows:

		(thousands)
	2005	2004
Current assets	**$ 500**	$ 578
Long-term assets	**1,762**	2,401
Current liabilities	**16**	2
Revenue	**16**	14
Expenses	**1,748**	5,092
Net loss	**(1,732)**	(5,079)
Cash flows used in operating activities	**(363)**	(508)
Cash flows used in investing activities	**(554)**	(1,715)
Cash flows provided by financing activities	**1,000**	1,500

Included in note 13(g) above, is the Corporation's pro-rata share of commitments for the above mentioned joint venture.

20. Subsequent events

a) Pangaea Systems Inc.

On February 21, 2006, the shareholders of Pangaea voted in favor of accepting an offer from CGI Group to purchase the company. As part of the transaction, the Corporation will receive full repayment of its $1 million convertible debenture and approximately $0.5 million for its Class A common shares. The Corporation has recorded a $1 million recovery on its convertible debenture in the 2005 financial statements.

b) Centennial Foods Partnership

In February 2006, New Food Classics Partnership was sold to a third party, resulting in cash proceeds of $16.1 million to CIC Foods Inc. During 2006, the Corporation anticipates disposing of its interests in Centennial Foodservice Partnership and Centennial 67 Partnership and will have no continuing involvement in the operations of these businesses after completion of the sales. Therefore, the Corporation classified as discontinued operations, the operating results of Centennial Foods for 2005 and 2004.

c) CIC Swine Genetics Holdings Inc.

In January 2006, the Corporation entered into an agreement to sell all of its ownership interests in Hypor LP, Hypor B.V., and Euribrid Espana S.A. held in CIC Swine Genetics Holdings Inc. for cash proceeds of $15.8 million (11.5 million Euros) plus repayment of the $2.3 million in debt at face-value. The transaction closed in February 2006 at which time the sale proceeds were received. The Corporation will recognize a gain of $5.3 million related to the disposal of this discontinued operation in 2006.

21. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Investment
Saskatchewan

Non-Consolidated Financial Statements

Management's Responsibility for Financial Statements

The accompanying financial statements included in the annual report of **Investment Saskatchewan Inc.** for the year ended December 31, 2005, are the responsibility of management and have been approved by the Board of Directors. Management has prepared the non-consolidated financial statements to illustrate the financial position and results of the corporate entity only. They have been prepared on a non-consolidated basis, according to the basis of accounting described in Note 2(a) to the financial statements, consistently applied, using management's best estimates and judgment where appropriate. Financial information included elsewhere in this Annual Report is consistent with the non-consolidated financial statements.

Management maintains a system of internal controls to support the integrity of information that forms the basis of the financial statements. The internal control systems provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit and Finance Committee, consisting solely of outside directors, which meets periodically with management as well as with the external auditor and the Provincial Auditor of Saskatchewan. The Audit and Finance Committee has met with management, the external auditor, and the Provincial Auditor of Saskatchewan to review the Corporation's annual non-consolidated financial statements prior to submission to the Board of Directors for final approval.

The non-consolidated financial statements have been audited by the independent firm of KPMG LLP Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.

Janet Wightman
President and CEO

Laurie Powers, CA
Chief Financial Officer
March 2, 2006

Auditors' Report

To the Members of the Legislative Assembly, Province of Saskatchewan.

We have audited the non-consolidated statement of financial position of **Investment Saskatchewan Inc.** as at December 31, 2005 and the non-consolidated statements of operations and deficit and cash flows for the year then ended. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2(a) to the financial statements.

These non-consolidated financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the purpose of tabling with the Legislative Assembly of Saskatchewan.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan
March 2, 2006

Non-Consolidated Statement of Financial Position

As at December 31
(thousands)

	2005	2004 (Note 1)
ASSETS		
Current		
Cash and short-term investments (Note 3)	$ 177,172	$ 170,256
Interest and accounts receivable	1,884	1,723
	179,056	171,979
Investments – debentures, loans and other advances (Note 4)	10,694	11,156
Investments – equity basis (Note 5)	379,846	417,034
Investments – cost basis (Note 6)	19,045	23,748
Investments – properties (Note 7)	3,154	4,543
Equipment (Note 8)	432	571
	$ 592,227	$ 629,031
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities	$ 2,339	$ 1,511
Dividend payable	-	42,341
Long-term debt due within one year (Note 9)	49,913	-
	52,252	43,852
Asset retirement obligation (Note 10)	12,654	2,375
Long-term debt (Note 9)	10,919	15,071
	75,825	61,298
Shareholder's Equity		
Share capital (Note 11)	530,194	530,194
(Deficit) Retained earnings	(13,792)	37,539
	516,402	567,733
	$ 592,227	$ 629,031

Commitments and contingencies (Note 12)
(See accompanying notes)

On behalf of the Board:

Director

Director

Non-Consolidated Statement of Operations and Deficit

For the Year Ended December 31
(thousands)

	2005	2004 (Note 1)
REVENUES		
Interest and other	$ 7,606	$ 34,849
Earnings from equity investments (Note 5(m))	37,053	28,575
	44,659	63,424
EXPENSES		
General administration and other	6,332	6,157
Interest	3,957	1,808
Amortization	115	67
	10,404	8,032
EARNINGS BEFORE THE FOLLOWING	34,255	55,392
Provision for environment costs (Note 10)	10,279	-
Provision for loan losses (Note 13)	108,597	33,857
Writedown of investments (Note 14)	3,054	2,267
NET (LOSS) EARNINGS	(87,675)	19,268
RETAINED EARNINGS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	37,539	60,612
ADJUSTMENT RELATED TO A CHANGE IN ACCOUNTING POLICY (Note 2(e))	36,344	-
RETAINED EARNINGS, BEGINNING OF YEAR, AS RESTATED	73,883	60,612
DIVIDENDS	-	42,341
(DEFICIT) RETAINED EARNINGS, END OF YEAR	$ (13,792)	$ 37,539

(See accompanying notes)

Non-Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands)

	2005	2004 (Note 1)
OPERATING ACTIVITIES		
Net (loss) earnings	$ (87,675)	$ 19,268
Dividends from investments – equity basis	22,521	4,119
Items not affecting cash from operations (Note 15)	84,992	7,580
	19,838	30,967
Net change in non-cash working capital balances related to operations (Note 16)	667	(189)
Cash provided by operating activities	20,505	30,778
INVESTING ACTIVITIES		
Purchase of investments	(9,346)	(10,489)
Proceeds from collection and sale of investments	44,358	144,818
Purchase of equipment	(21)	(525)
Cash provided by investing activities	34,991	133,804
FINANCING ACTIVITIES		
Decrease in long-term debt	(6,239)	(232)
Dividends paid	(42,341)	-
Cash used in financing activities	(48,580)	(232)
INCREASE IN CASH POSITION	6,916	164,350
CASH POSITION, BEGINNING OF YEAR	170,256	5,906
CASH POSITION, END OF YEAR	$ 177,172	$ 170,256
COMPRISED OF:		
Cash	3,523	4,351
Short-term investments	173,649	165,905
	$ 177,172	$ 170,256
Supplementary cash flow information:		
Interest paid	$ 3,718	$ 2,038

(See accompanying notes)

Notes to Non-Consolidated Financial Statements

December 31, 2005

1. The Corporation

Investment Saskatchewan Inc. (the Corporation) provides investment capital and financing, and prudently manages portfolios of commercially viable investments. The Corporation was incorporated under *The Business Corporations Act* (Saskatchewan) on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Provincial Crown corporation. Effective September 3, 2003 by Order in Council 700/2003, which made effective *The Crown Corporation Amendment Regulations, 1993*, the Corporation was designated a subsidiary of CIC to which the provisions of *The Crown Corporations Act, 1993* apply. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to federal and provincial income taxes. Certain of the Corporation's investments are subject to federal and provincial income taxes.

Following the close of business on December 31, 2004, PCF Investments Ltd. (PCF) and WTC Investments Ltd. (WTC) were amalgamated with Investment Saskatchewan Inc. All prior periods have been restated to include the assets and liabilities, revenues and expenses, and cash flows of PCF and WTC.

2. Summary of significant accounting policies

These non-consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) except as noted in 2(a) and 2(d) below. Significant accounting policies are summarized below:

a) Basis of presentation

Investment Saskatchewan Inc. is a Provincial Crown corporation as described in Note 1. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan in accordance with the significant accounting policies described below. The basis of accounting used to prepare these non-consolidated financial statements materially differs from GAAP because the Corporation's investments, which would be consolidated or proportionately consolidated under GAAP, are accounted for using the equity method. Separate audited consolidated financial statements have also been prepared for the Corporation in accordance with GAAP.

b) Short-term investments

Short-term investments are recorded at cost, and have original maturities of three months or less.

c) Investments – debentures, loans and other advances

The Corporation records debentures, loans and other advances at cost. When there is a decline in the value of a debenture, loan or other advance that is not considered temporary, the asset is written down to its estimated fair value.

Interest earned on debentures, loans and other advances is recognized on the accrual basis except where uncertainty exists as to ultimate collection. When collectibility of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income.

Notes to Non-Consolidated Financial Statements

December 31, 2005

2. Summary of significant accounting policies (continued)

d) Investments – equity-basis

The Corporation uses the equity method to account for its subsidiaries:

101069101 Saskatchewan Ltd.
Big Sky Farms Inc.
CIC Foods Inc.
CIC FTLP Holdings Inc.
CIC FTMI Holdings Inc.
CIC OSB Products Inc.
CIC Pulp Ltd.
CIC PVF Holdings Inc.
CIC Swine Genetics Holdings Inc.
CIC WLSVF Holdings Inc.
HARO Financial Corporation
Investment Saskatchewan Swine Inc.
Saskatchewan Valley Potato Corporation

The Corporation also uses the equity method to account for other investments over which it exercises joint control or significant influence. Under the equity method, the Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

Where there is a decline in the value of an equity based investment that is not considered temporary, the investment is written down to its estimated fair value.

e) Change in accounting policy

Accounting Guideline 15 – Consolidation of Variable Interest Entities (AcG-15) of the CICA Handbook is effective for periods beginning on or after November 1, 2004; as a result, the Corporation adopted this standard effective January 1, 2005. AcG-15 relates to the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. The purpose of AcG-15 is to provide guidance for determining when an enterprise includes the assets, liabilities and results of activities of such an entity (a "variable interest entity") in its consolidated financial statements.

An entity falls under the guidance in AcG-15 and is classified a variable interest entity ("VIE") if it has (1) equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or (2) equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that will absorb a majority of the expected losses or will receive the majority of the expected residual returns or both, as a result of ownership, contractual or other financial interests in the VIE.

The Corporation has determined that HARO Financial Corporation (HARO), Meadow Lake Pulp Limited Partnership (MLPLP), and Prairie Ventures Limited Partnership (PVF) fall under the classification of a VIE and have been consolidated in the separate Investment Saskatchewan consolidated financial statements. Prior to January 1, 2005, the Corporation accounted for HARO as a loan receivable, and MLPLP and PVF using the equity method. Restatement of comparative financial information is not required by AcG-15. The cumulative effect to retained earnings on the adoption of AcG-15 as at January 1, 2005 is an increase of $36.3 million.

Notes to Non-Consolidated Financial Statements

December 31, 2005

2. Summary of significant accounting policies (continued)

f) Investments – cost-basis

Investments in which the Corporation does not exercise significant influence are recorded at cost, with dividends from these investments recorded as income when received or receivable.

When there is a decline in the value of a cost based investment that is not considered temporary, the investment is written down to its estimated fair value.

g) Investments – properties

Investments in properties held for sale are recorded at the lower of cost and net realizable value.

h) Equipment

Equipment is recorded at cost. When equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Non-Consolidated Statement of Operations and Deficit. Equipment consists of computer hardware and software, furniture and equipment and leasehold improvements.

Amortization of equipment is recorded on the straight-line basis over the estimated productive life of each asset using the following amortization rates:

Computer hardware and software	3 years
Furniture and equipment	5 years
Leasehold improvements	10 years

i) Sinking funds

Sinking funds are recorded at cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its estimated fair value.

j) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The Corporation identifies goodwill impairment by comparing the fair value of its reporting units to their carrying amounts. Fair values of reporting units are calculated using industry specific valuation methods which include discounted cash flow, earnings multiple and market comparability approaches. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the Statement of Operations and Deficit before net earnings.

Notes to Non-Consolidated Financial Statements

December 31, 2005

2. Summary of significant accounting policies (continued)

k) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment, are amortized over their useful lives. The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

l) Asset retirement obligation

The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations to decommission facilities in the period in which the facility is commissioned. For assets that are expected to be maintained and operated indefinitely a reasonable estimate of fair value for the assets cannot be determined. Therefore no obligation has been recorded.

The fair value of the estimated asset retirement costs is recorded as a liability with an offsetting amount capitalized and included as part of equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included in operating expense.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation.

Asset retirement obligations are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of long-lived assets. Changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost.

m) Environmental remediation liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonable estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites. These liabilities are based on management's best estimate considering current environmental laws and regulations and the estimates have been recorded at undiscounted amounts. The Corporation reviews its estimates of future expenditures on an ongoing basis.

Notes to Non-Consolidated Financial Statements

December 31, 2005

2. Summary of significant accounting policies (continued)

n) Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and related disclosures during the reporting period. Certain estimates, including asset impairment, the carrying amounts of investments, provisions for contingencies related to environmental clean-up activities, and accounting for variable interest entities, require management to make subjective or complex judgments. Accordingly, actual results could differ from these and other estimates thereby impacting future results by a material amount.

3. Cash and short-term investments

The major components of cash and short-term investments are as follows:

				(thousands)
		2005		2004
Cash on deposit	**$**	**3,523**	$	4,351
Short term investments, at rates of interest varying between 3.07% and 3.45% (2004 – 2.42% and 2.57%) invested with the General Revenue Fund		**173,649**		165,905
	$	**177,172**	$	170,256

4. Investments – debentures, loans and other advances

				(thousands)
		2005		2004
Loan principal receivable	**$**	**19,845**	$	22,377
Lease options		**918**		1,065
Less: Provision for loan losses		**(10,069)**		(12,286)
	$	**10,694**	$	11,156

As at December 31, 2005, the Corporation holds various loans with interest rates ranging from 3.70% to 15% (2004 – 3.70% to 15%) and maturities extending from 2006 to 2022 (2004 – 2005 to 2022). Loans receivable and debentures maturing in 2006 total $1.4 million (2005 - $1.6 million).

Notes to Non-Consolidated Financial Statements

December 31, 2005

5. Investments – equity basis

	Percentage Ownership	2005	(thousands) 2004
Big Sky Farms Inc. (Big Sky) (a):			
4,400,000 (2004 - 150,000) common shares			
Cost - $17,250,000 (2004 - $500,000)	44.7%		
Nil (2004 - 3,750,000) preferred shares			
Cost $nil (2004 - $15,000,000)		**$ 26,477**	$ 21,649
Bioriginal Food & Science Corp. (b)			
37,419 (2004 – 25,000) Class A common shares			
Cost $1,367,710 (2004 - $250,000)			
40,213 (2004 – 24,855) Class D preferred shares			
Cost $2,882,220 (2004 - $1,500,000)	27.9%	**4,199**	1,750
CIC Foods Inc. (c):			
100 (2004 - 100) common shares			
Cost $100 (2004 - $100)	100.0%	**2,393**	533
Due from CIC Foods Inc.		**19,410**	19,527
		21,803	20,060
CIC FTLP Holdings Inc. (d):			
3,000,001 (2004 - 3,000,001) common shares			
Cost $3,000,001 (2004 - $3,000,001)	100.0%	**(5,755)**	(4,023)
Due from CIC FTLP Holdings Inc.		**8,000**	7,000
CIC FTMI Holdings Inc.			
140 (2004 - 140) common shares			
Cost $14 (2004 - $14)	100.0%	**-**	-
		2,245	2,977
CIC OSB Products Inc. (e):			
100 (2004 - 100) Class A common shares			
Cost $100 (2004 - $100)	100.0%	**30,709**	18,770
Due from CIC OSB Products Inc.		**4,254**	25,170
		34,963	43,940

Notes to Non-Consolidated Financial Statements

December 31, 2005

5. Investments – equity basis (continued)

	Percentage Ownership	2005	(thousands) 2004
CIC Pulp Ltd. (f):			
100 (2004 - 100) common shares			
Cost $100 (2004 - $100)	100.0%	**(88,051)**	(69,784)
Due from CIC Pulp Ltd.		**21,361**	20,257
Millar Western Pulp (Meadow Lake) Ltd.:			
50 (2004 - 50) Class A common shares			
Cost $49 (2004 - $49)	50.0%	-	-
101069101 Saskatchewan Ltd.			
1,000 (2004 – nil) Class A common shares			
Cost $1,000 (2004 - $nil)	100.0%	**(52,000)**	-
Due from 101069101 Saskatchewan Ltd.		**52,000**	-
Loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP):		**218,361**	218,361
Provision for loan losses		**(147,671)**	(90,000)
		4,000	78,834
CIC PVF Holdings Inc. (g):			
100 (2004 - 100) Class A common shares			
Cost $100 (2004 - $100)	100.0%	**970**	774
Due from CIC PVF Holdings Inc.		**9,678**	10,037
		10,648	10,811
CIC Swine Genetics Holdings Inc. (h):			
1,000 (2004 – 1,000) common shares			
Cost $12,941,543 (2004 - $12,941,543)	100.0%	**10,518**	10,312
Due from CIC Swine Genetics Holdings Inc.		**2,305**	2,292
		12,823	12,604
CIC WLSVF Holdings Inc. (i):			
1,000,000 (2004 - 1,000,000) Class A common shares			
Cost $1,000,000 (2004 - $1,000,000)	100.0%	**(4,912)**	(3,832)
Due from CIC WLSVF Holdings Inc.		**6,600**	6,600
		1,688	2,768
HARO Financial Corporation (j)			
68,000,000 (2004 – 68,000,000) Class B non-voting common shares			
Cost $68,000,000 (2004 - $68,000,000)	100.0%	**114,677**	68,000
Term loan (net)		**15,448**	15,448
		130,125	83,448

Notes to Non-Consolidated Financial Statements

December 31, 2005

5. Investments – equity basis (continued)

	Percentage Ownership	2005	(thousands) 2004
Investment Saskatchewan Swine Inc.: 100 (2004 - 100) Class A common shares Cost $163 (2004 - $163)	100.0%	88	88
Saskatchewan Valley Potato Corporation (SVPC) (k): 100 (2004 - 100) Class A common shares Cost $16,216,499 (2004 - $16,216,499)	100.0%	1,250	1,468
Saskferco Products Inc. (Saskferco) (l): 68,449,080 (2004 - 68,449,080) Class B common shares Cost $68,449,080 (2004 - $68,449,080) Class B subordinated notes	49.5%	129,537	136,637
		$ 379,846	$ 417,034

a) The Corporation holds a 44.7% (2004 - 44.7%) interest in Big Sky, a hog production operation headquartered in Humboldt, Saskatchewan. During the year, the Corporation exercised its warrants and acquired 500,000 preferred shares for $1.8 million and, subsequently, converted 4,250,000 preferred shares into 4,250,000 common shares. The debenture held at December 31, 2004 was fully repaid during the year. With the additional shares of Big Sky held in HARO, the Corporation holds 68.4% of Big Sky and has consolidated its investment in the separate audited consolidated financial statements. Included in the investment balance above is $2.5 million (2004 - $3.8 million) of equity method goodwill which represent the excess of cost of the investments over the Corporation's share of net book value of the investment. Goodwill is not amortized, but is tested for impairment as described in note 2(j) above.

b) The Corporation holds a 27.9% (2004 – 16.3%) interest in Bioriginal Food & Science Corp., a producer and marketer of natural oils and plant products throughout North America and Europe, based in Saskatoon, Saskatchewan. During the year, the Corporation purchased 12,419 Class A common shares and 15,358 Class D preferred shares for total consideration of $2.5 million. Included in the investment balance above is $1.4 million (2004 - $nil) of intangible assets identified upon acquisition. The various intangible assets are being amortized over useful lives ranging from 0.5 years to 5 years.

c) The Corporation, through its wholly-owned subsidiary CIC Foods Inc., owns a 35% interest in Centennial Foods Partnership (Centennial). On July 30, 2005, Centennial Foods Partnership restructured its operations into three separate wholly-owned partnerships, Centennial Foodservice Partnership, New Food Classics Partnership, and Centennial 67 Partnership.

The Corporation's partnership agreement includes a provision that allows the 65% partner in Centennial, Centennial 2000 Inc., to withdraw capital to pay any tax liabilities resulting from its ownership of Centennial Foods Partnership. The Corporation does not have matching capital withdrawal rights. As a result, the Corporation is treating Centennial 2000 Inc.'s capital withdrawals as a priority distribution and charging the Corporation's share of income with the Corporation's 35% share of the distributions to Centennial 2000 Inc.

Notes to Non-Consolidated Financial Statements

December 31, 2005

5. Investments – equity basis (continued)

d) The Corporation, through its wholly-owned subsidiary CIC FTLP Holdings Inc. (CIC FTLP), is a limited partner in Foragen Technologies Limited Partnership (Foragen), a venture capital fund which offers seed capital to advanced agricultural technology Corporations. CIC FTLP holds a 33.3% (2004 - 33.3%) interest in Foragen.

e) The Corporation, through its wholly-owned subsidiary CIC OSB Products Inc. (CIC OSB), is a limited partner in Meadow Lake OSB Limited Partnership (ML OSB). ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan. CIC OSB holds a 25% (2004 - 25%) interest in ML OSB.

The Corporation has issued 19,980,000 options to certain parties to purchase its units of ML OSB. The exercise price on 9,980,000 units is fair market value, and the exercise price on 10,000,000 units is cost, plus pro-rata share of capital taxes paid, less distributions received, plus interest. The expiry date for 9,980,000 units is October 2008 and the expiry date for 10,000,000 units is December 2011. If all options are exercised, the Corporation's interest would be diluted to 6.8%.

The Corporation calculates its share of earnings using the equity method for the 9,980,000 units and the 7,500,000 (6.8%) non-optioned units, and the modified cost method as described above is used for the remaining 10,000,000 units.

f) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., owns a 50% interest in MLPLP, a pulp mill located near Meadow Lake, Saskatchewan. The amounts due from CIC Pulp Ltd. are non-interest bearing and repayable on demand.

As at December 31, 2005, the Corporation has made several loans to MLPLP with interest rates ranging from 6% to 11.15% (2004 – 5.25% to 11.15%). The total interest deferred and owing on loans receivable from MLPLP at December 31, 2005 is $595.7 million (2004 – $515.9 million).

Pursuant to Order in Council 337/2005 dated April 26, 2005, the Corporation, through its wholly-owned subsidiary 101069101 Saskatchewan Ltd., was authorized to acquire from Ontario Municipal Employees Retirement Board (OMERS) and Sun Life Assurance Company (Sun Life) the debentures of Meadow Lake Pulp Limited Partnership (MLPLP). The Corporation had previously indemnified CIC for the guarantee of these debentures. On April 27, 2005, pursuant to the authority granted by Order in Council 337/2005, 101069101 Saskatchewan Ltd. acquired these debentures for $52 million.

As payment, the Corporation issued debentures to OMERS and Sun Life for $52 million. The Corporation's debentures issued are identical to the MLPLP debentures in terms of principal payments, interest rate, and maturity date, specifically quarterly principal payments of $2 million, quarterly interest payments at 6.64%, and due date of July 31, 2006. Immediately following this transaction, 101069101 Saskatchewan Ltd. had an additional $52 million loan receivable from MLPLP.

On December 28, 2005, MLPLP obtained creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"). The CCAA Order provided for a 30 day general stay period that expired on January 27, 2006, and has been extended to March 31, 2006. The stay generally precludes parties from taking any actions against MLPLP for breach of contractual or other obligations. The CCAA process will also provide time in which to investigate all options with respect to the future of the mill including the development of a cost reduction plan and pursuing potential purchasers of the mill.

Notes to Non-Consolidated Financial Statements

December 31, 2005

5. Investments – equity basis (continued)

On January 9, 2006, the Corporation approved the provision of up to $15 million in Debtor-in-Possession (DIP) financing to the pulp mill. The purpose of this temporary short-term liquidity facility is to assist the pulp mill during its restructuring efforts. The DIP facility is secured by mortgages, general security agreements, share pledges in respect of all shares owned by or on behalf of the Borrowers, and other interests, fixed and floating charge debentures, security interests, hypothecs or equivalent, including without limitation, mortgages on all real property, first in priority against all assets of the pulp mill, subject only to the Administrative Charge and the Directors' Charge as provided in the CCAA Order and to the prior security of HSBC Bank Canada.

The Corporation's loans to MLPLP and 101069101 Saskatchewan Ltd's debentures of MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by MLPLP operations. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, 101069101 Saskatchewan Ltd. has taken a provision of $52 million against the carrying value of these debentures, and the Corporation has taken a provision of $57.7 million against the carrying value of these loans resulting in a net carrying value of $4 million on its investment in MLPLP. However, given the wide fluctuations in world commodity prices for pulp, and the U.S. / Canada exchange rate, this estimate could change materially in the near term.

g) The Corporation, through its wholly-owned subsidiary, CIC PVF Holdings Inc. (CIC PVF), is a limited partner in Prairie Ventures Limited Partnership (PVF), a venture capital fund which provides capital to grow small and medium sized companies primarily in Saskatchewan. CIC PVF holds 10,433 (2004 - 10,254) partnership units and a 56.4% interest in PVF (2004 – 57.0%).

h) The Corporation, through its wholly-owned subsidiaries CIC Swine Genetics Holdings Inc., CIC Swine Genetics Inc., and CIC Swine Genetics (NL) B.V., carries on the business of the research, development, production, marketing and sale of pigs, and swine genetic material. CIC Swine Genetics Inc. holds a 50% interest in Hypor LP with operations in Canada. CIC Swine Genetics (NL) B.V. holds a 50% interest in Hypor B.V. with operations primarily in the Netherlands, Belgium and Italy and a 47.4% interest in Euribrid Espana S.A. with operations in Spain.

i) The Corporation, through its wholly-owned subsidiary CIC WLSVF Holdings Inc. (CIC WLSVF), is a limited partner in Western Life Sciences Venture Fund Limited Partnership (WLS). WLS offers seed capital for human biotechnology, primary pharmaceuticals, biological, and neutraceutical products. CIC WLSVF holds a 20.1% (2004 - 20.1%) interest in WLS.

j) In 1992, the Corporation entered into a Term Loan Agreement with HARO. The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a third five-year term in 2002. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate (4.5%) plus 1%. For the third five-year term, the interest rate on the loan is 5.5% compounded annually. Security for the Term Loan is 100% of HARO's assets, which as of December 31, 2005 consist primarily of HARO's 65.2% interest in Crown Life Insurance Company (Crown Life) shares.

Notes to Non-Consolidated Financial Statements

December 31, 2005

5. Investments – equity basis (continued)

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. HARO's main source of cash is distributions from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. The Corporation's total interest deferred and owing at December 31, 2005, is $196.4 million (2004 - $185.2 million).

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100% of HARO equity shares. The Corporation has a unilateral right prior to December 15, 2017, to convert the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval.

Ownership of 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 100% participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

During 2006, the Corporation anticipates the final close of the sale of Crown Life to Canada Life/Great West Life to occur. This transaction will result in a distribution of cash and invested assets to the Corporation's wholly-owned subsidiary, HARO, then immediately thereafter, to the Corporation.

k) The Corporation holds 100% of the Class A voting common shares of SVPC (2004 – 100%). SVPC is a seed potato storage company in the Lake Diefenbaker area.

l) The Corporation holds 68,449,080 (2004 - 68,449,080) Class B common shares equivalent to a 49.5% (2004 - 49.5%) interest in Saskferco, a nitrogen fertilizer plant, located in Belle Plaine, Saskatchewan.

The Corporation also holds Class B subordinated notes of Saskferco, due June 1, 2014. Interest is calculated at the CDOR rate on June 1 of each year and is receivable on May 31 of the following year. The Corporation's equity in Saskferco is $112.6 million (2004 - $85.4 million) and the remaining balance of the subordinated notes is $16.9 million (2004 - $51.2 million). The balance of the subordinated notes including interest was received on January 11, 2006.

m) Earnings (losses) from equity investments are as follows:

		(thousands)
	2005	2004
Big Sky Farms Inc.	**$ 6,699**	$ 2,866
Bioriginal Food & Science Corp.	**(51)**	-
CIC Foods Inc.	**1,860**	1,931
CIC FTLP Holdings Inc.	**(1,732)**	(5,080)
CIC OSB Products Inc.	**11,939**	15,801
CIC Pulp Ltd.	**(18,265)**	(5,396)
CIC PVF Holdings Inc.	**195**	622
CIC Swine Genetics Holdings Inc.	**206**	56
CIC WLSVF Holdings Inc.	**(1,080)**	(3,429)
HARO Financial Corporation	**10,333**	-
Saskatchewan Valley Potato Corporation	**(218)**	1,537
Saskferco Products Inc.	**27,167**	19,667
	$ 37,053	$ 28,575

Notes to Non-Consolidated Financial Statements

December 31, 2005

6. Investments – cost basis

(thousands)

	2005	2004
Premium Brands Income Fund	$ 11,556	$ 12,188
Primaxis Technology Ventures Incorporated	1,262	5,000
Other	6,227	6,560
	$ 19,045	$ 23,748

7. Investments – properties

The Corporation owns $3.2 million (2004 - $4.5 million) in land, buildings and other properties held for resale.

8. Equipment

(thousands)

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	$ 145	$ 132	$ 13	$ 61
Furniture and equipment	256	58	198	219
Leasehold improvements	253	32	221	291
	$ 654	$ 222	$ 432	$ 571

9. Long-term debt

(thousands)

	2005		2004	
	Principal Outstanding	Interest Rate	Principal Outstanding	Interest Rate
A. General Revenue Fund (GRF)				
Maturity Date				
June 2, 2006	$ 10,000	9.62	$ 10,000	9.62
July 10, 2007	4,000	9.83	4,000	9.83
March 3, 2008	3,000	9.62	3,000	9.62
August 10, 2008	3,919	10.06	3,919	10.06
	20,919		20,919	
Less: Sinking fund balance	(6,087)		(5,848)	
Total due to GRF	14,832		15,071	
B. Other long-term debt				
Maturity Date				
July 31, 2006 (a)	46,000	6.64	-	
	60,832		15,071	
Less: Due within one year (b)	(49,913)		-	
Total long-term debt	$ 10,919		$ 15,071	

Notes to Non-Consolidated Financial Statements

December 31, 2005

9. Long-term debt (continued)

a) Pursuant to Order in Council 337/2005 dated April 26, 2005, the Corporation, through its wholly-owned subsidiary 101069101 Saskatchewan Ltd., was authorized to acquire from Ontario Municipal Employees Retirement Board (OMERS) and Sun Life Assurance Company (Sun Life) the debentures of Meadow Lake Pulp Limited Partnership (MLPLP). The Corporation had previously indemnified CIC for the guarantee of these debentures. On April 27, 2005, pursuant to the authority granted by Order in Council 337/2005, 101069101 Saskatchewan Ltd. acquired these debentures for $52 million.

As payment, the Corporation issued debentures to OMERS and Sun Life for $52 million. The Corporation's debentures issued are identical to the MLPLP debentures in terms of principal payments, interest rate, and maturity date, specifically quarterly principal payments of $2 million, quarterly interest payments at 6.64%, and due date of July 31, 2006.

b) Principal repayments (net of sinking funds) due in each of the next three years are as follows (thousands):

2006	$ 49,913
2007	4,000
2008	6,919

10. Asset retirement obligation

The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws and enforcement and clean-up practices, it is not possible at this time to determine the full amount of this liability. The extent of the clean-up activities and associated costs is unknown and may be material in the future. The Corporation has accrued $12.7 million (2004 - $2.4 million) to carry out the clean-up activities related to an indemnity provided by Prince Albert Pulp and Paper Company (PAPCO) and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 relating to the ERCO Chemical Plant. PAPCO was amalgamated with CIC Industrial Interests Inc. (now operating as Investment Saskatchewan Inc.) and as a result, the liability has been accrued by the Corporation.

11. Share capital

		(thousands)
	2005	2004
Authorized		
Unlimited common shares with no par value		
Issued and outstanding		
53,019,383 common shares (2004 – 53,019,383)	**$ 530,194**	$ 530,194

12. Commitments and contingencies

a) The Corporation has committed to invest up to $14.0 million in Foragen by October 13, 2010. The Corporation has provided $11.0 million of this commitment to December 31, 2005 (2004 - $10.0 million).

b) The Corporation has committed to invest up to $25.0 million in PVF subject to certain conditions. The Corporation has provided $10.5 million of this commitment to December 31, 2005 (2004 - $10.3 million).

c) The Corporation has committed to invest up to $2.0 million in Northwest Communities Holdings Inc. by March 30, 2006. The Corporation has provided $1.0 million of this commitment to December 31, 2005 (2004 - $nil).

d) As part of a merger agreement with Nutreco International B.V., the Corporation has indemnified Nutreco International B.V. for potential losses, with respect to the investments described in Note 5(h), which may be incurred as a result of:

Notes to Non-Consolidated Financial Statements

December 31, 2005

12. Commitments and contingencies (continued)

i) a breach of representation or warranty in the merger documentation;

ii) a breach of covenants contained in the merger documentation;

iii) any undisclosed or unaccrued liabilities of Investment Saskatchewan Swine Inc. as of March 31, 2003 resulting from and/or attached to Investment Saskatchewan Swine Inc. or the net assets, contracts, claims or other obligations transferred to Hypor LP from Investment Saskatchewan Swine Inc.;

iv) claims made by a third party based on a non-competition covenant made by Investment Saskatchewan Swine Inc.; and,

v) except for the indemnity referred to in iv), which is not subject to limitations, the indemnification is limited to aggregate losses in excess of 150,000 Euros to a maximum of $2.4 million.

e) On March 26, 2004, the Corporation entered into an Indemnity and Reimbursement Agreement (the indemnity) with HARO, Extendicare Inc., Crown Life, and the directors and certain officers of Crown Life. The Corporation indemnified Crown Life and the directors and certain officers of Crown Life for 65.2% of the costs, expenses, penalties, interest and reasonable legal fees arising out of any claim, suit or demand in respect of having declared and paid $29.2 million in dividends from Crown Life to HARO. The indemnity is limited to the dividend plus 10% or $32.1 million and terminates on the earlier of the final closing of the sale of Crown Life to Canada Life Assurance Company or April 1, 2010.

f) The future minimum payments under operating leases and contractual obligations for services in each of the next five years are as follows (thousands):

2006	$	**305**
2007		**265**
2008		**204**
2009		**209**
2010		**209**

Included in the above is operating costs on a premises lease estimated at $85 annually, payable monthly.

g) In the normal course of business, the Corporation became involved in claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2005 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. The Corporation will therefore account for these matters in the period of resolution.

13. Provision for loan losses

				(thousands)
		2005		2004
Balance, January 1	$	**102,286**	$	70,224
Provision for losses		**110,208**		33,857
Recoveries of provisions for losses		**(1,611)**		-
Write-offs		**(361)**		(1,795)
Balance, December 31	$	**210,522**	$	102,286

Notes to Non-Consolidated Financial Statements

December 31, 2005

14. Writedown of investments

	2005	(thousands) 2004
Cost-basis investments – writedowns	$ 4,679	$ 5,207
Equity investments – recoveries	-	(2,523)
Properties – recoveries	(1,625)	(417)
	$ 3,054	$ 2,267

15. Items not affecting cash from operations

	2005	(thousands) 2004
Provision for environmental costs	$ 10,279	$ -
Provision for loan losses (Note 13)	108,597	33,857
Writedown of investments (Note 14)	3,054	2,267
Earnings from equity investments (Note 5(m))	(37,053)	(28,575)
Amortization	115	67
Other	-	(36)
	$ 84,992	$ 7,580

16. Net change in non-cash working capital balances related to operations

	2005	(thousands) 2004
Increase in interest and accounts receivable	$ (161)	$ (457)
Increase in accounts payable and accrued liabilities	828	268
	$ 667	$ (189)

17. Financial risk management

a) Fair values

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Certain of the Corporation's financial instruments including: cash and short-term investments; interest and accounts receivable; accounts payable; and, dividend payable, have carrying amounts that approximate fair value due to their short-term maturity.

There is no active secondary market for many of the Corporation's loans, debentures, other advances, equity holdings, non-publicly traded common shares, and property holdings. The uncertainty and potentially broad range of fair values renders the disclosure of a fair value with appropriate reliability impractical.

Notes to Non-Consolidated Financial Statements

December 31, 2005

17. Financial risk management (continued)

At year end, the fair value of the following financial instruments is presented below:

(thousands)

	2005		2004	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Long-term debt, GRF	**$ 20,919**	**$ 22,440**	$ 20,919	$ 23,961
Long-term debt, other	**46,000**	**46,791**	-	-
Sinking funds	**6,087**	**6,087**	5,848	5,848

b) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions.

All outstanding debentures, loans and other advances are receivable from Saskatchewan Corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation annually and all non-performing loans are included in the provision for loan losses.

c) Interest rate risk

The Corporation may be exposed to interest rate risk on maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place to offset interest rate risk.

18. Employee future benefits

The Corporation participates in a defined contribution pension plan that requires the Corporation to contribute 5.5% of employees' pensionable earnings and employees to contribute 5.5% of pensionable earnings. The Corporation's obligation is limited to the required contribution. The total cost for the defined contribution plan is equal to the Corporation's required contribution. The Corporation's 2005 pension cost and employer contributions are $83 thousand (2004 - $30 thousand).

19. Related party transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Notes to Non-Consolidated Financial Statements

December 31, 2005

19. Related party transactions (continued)

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

		(thousands)
	2005	2004
Category (as per financial statements)		
Interest and accounts receivable	**$ 1,498**	$ 1,428
Accounts payable and accrued liabilities	**752**	836
Interest and other revenues	**6,036**	2,438
General administration and other expenses	**214**	2,123
Interest expense	**1,799**	1,808

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

These non-consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

20. Subsequent events

a) Pangaea Systems Inc.

On February 21, 2006, the shareholders of Pangaea voted in favor of accepting an offer from CGI Group to purchase the company. As part of the transaction, the Corporation will receive full repayment of its $1 million convertible debenture and approximately $0.5 million for its Class A common shares. The Corporation has recorded a $1 million recovery on its convertible debenture in the 2005 financial statements.

b) Centennial Foods Partnership

In February 2006, New Food Classics Partnership was sold to a third party, resulting in cash proceeds of $16.1 million to CIC Foods Inc. During 2006, the Corporation anticipates disposing of its interests in Centennial Foodservice Partnership and Centennial 67 Partnership and will have no continuing involvement in the operations of these businesses after completion of the sales.

c) CIC Swine Genetics Holdings Inc.

In January 2006, the Corporation entered into an agreement to sell all of its ownership interests in Hypor LP, Hypor B.V., and Euribrid Espana S.A. held in CIC Swine Genetics Holdings Inc. for cash proceeds of $15.8 million (11.5 million Euros) plus repayment of the $2.3 million in debt at face value. The transaction closed in February 2006 at which time the sale proceeds were received. The Corporation will recognize a gain of $5.3 million related to the disposal of this discontinued operation in 2006.

21. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Investment
Saskatchewan

Corporate Governance Compliance

Corporate Governance Compliance

On June 30, 2005, the Canadian Securities Administration (CSA) National Policy 58-201 on Corporate Governance Guidelines and National Instrument 58-101 on Governance Disclosure Rules came into effect for annual reports that had report periods ending thereafter. Beginning with its 2005 Annual Report, Investment Saskatchewan will assess its governance practices against these new guidelines, rather than the TSX guidelines which were used in previous years.

	Already In Compliance		Change Required For Compliance	No Change in Practice – Additional Disclosure Required
Composition of the Board				
• The majority of the Board is composed of independent directors	✓	The Board is comprised of eight directors, all are independent.		
• The chair of the Board is an independent director. If this is not appropriate, an independent director has been appointed to act as lead director and acts as the effective leader of the Board to allow the Board to carry out its duties.	✓	The Board chair is independent.		
Meetings of the Board				
• The independent directors hold regularly scheduled meetings without non-independent directors and members of management being in attendance.	✓	All directors are independent, and regular meetings are held which exclude management.		
Board Mandate				
• The Board has a written mandate outlining its responsibilities.	✓	The Board has approved Terms of Reference including for its committees.		
• This mandate includes responsibility for the following items:				
• Satisfying itself as to the integrity of the CEO and other executive officers;	✓	The Board of Directors has approved corporate values, conflict of interest and code of conduct policies for the Corporation and practices to monitor compliance.		
• Ensuring that the CEO and other executive officers create and cultivate a culture of integrity throughout the organization;	✓	The Board of Directors has approved corporate values, conflict of interest and code of conduct policies for the Corporation and practices to monitor compliance.		
• Adopting a strategic planning process which includes the risks and opportunities facing the organization;	✓	The Corporation undertakes an annual strategic planning process which includes consideration of the risks and opportunities facing the organization.		
• Annual approval of the strategic plan;	✓	The Board annually approves the Strategic and Business plan.		

	Already In Compliance	Change Required For Compliance	No Change in Practice – Additional Disclosure Required
• Identification of the principal risks facing the business;	✓ The Board reviews annually the strategic and operational risks of the organization through the strategic planning processes. On a quarterly basis the Board reviews progress against the approved risk management plan.		
• Ensuring the implementation of systems to manage these risks;	✓ The Board of Directors, through the Audit and Finance Committee, ensures that appropriate policies and systems are put in place by management to manage the principal business risks of the Corporation. The Board receives regular reports from management on the effectiveness of these systems.		
• Succession planning;	✓ The Board of Directors, supported by the Governance and Human Resources Committee, is responsible for selecting and appointing the CEO and for succession planning within the organization.		
• Adopting an effective communication policy;	✓ The Communications and Public Relations Committee of the Board approves significant communications policies for the Corporation.		
• The internal control and management information systems;	✓ The Board of Directors, through its Audit and Finance Committee has established, and evaluates the effectiveness of, internal controls, accounting policies and financial reporting and disclosure practices. The Audit and Finance Committee meets regularly with the external auditors and management of the Corporation to ensure the integrity of these policies, practices and systems. The Board of Directors, on recommendation from the Audit and Finance Committee approves the quarterly and annual financial statements.		
• Developing the organization's approach to corporate governance (i.e. set of principles and guidelines);	✓ The Board of Directors insists on adoption of industry best-practices whenever possible. The Shareholder also provides direction to all Crown Corporation Boards related to governance practices.		
• Establishing measures by which stakeholders can communicate with the Board; and	✓ The Board approves a balanced scorecard annually which is presented to the Shareholder. A quarterly balanced scorecard progress report is submitted to the Shareholder and quarterly Board approved financial reports are made available to the public. Processes are established for regular communications with the Minister Responsible for IS and for employee communications with the Board.		
• Establishing the expectations and responsibilities of directors.	✓ The Board of Directors has approved Terms of Reference for the Board and its Committees which outline the responsibilities of the directors.		

	Already In Compliance		Change Required For Compliance	No Change in Practice – Additional Disclosure Required
Position Descriptions				
- The Board has developed clear position descriptions for each of the following:				
• Chair of the Board;			Position description will be developed in 2006.	The Board has approved Terms of Reference in place which details the role and responsibilities of the Board. No specific position description for the Chair has been developed.
• Chair of each Board committee; and			Position description will be developed in 2006.	The Committees have approved Terms of Reference in place which detail the role and responsibilities of the Committee. No specific position description for the Committee Chairs has been developed.
• The CEO	✓	The Governance and HR Committee has developed a CEO position description.		
- The Board develops/approves the corporate goals and objectives that the CEO is responsible for meeting.	✓	The Governance and HR Committee develops the CEO's annual performance objectives, evaluates the CEO against those objectives, and make recommendations for the Board's approval.		
Orientation and Continuing Education				
- The Board ensures that all new directors receive a comprehensive orientation which encompasses the following items: • The role of the Board and its committees; • The contribution (in terms of time and resources) each individual director is expected to make; and • The nature and operation of the business.	✓	The Governance and Human Resources Committee has been delegated responsibility for the development and implementation of a director orientation and continuing education program. Crown Investments Corporation also offers orientation to new directors and on-going training for directors on Crown boards.		
- The Board ensures that continuing education opportunities are provided to allow all directors to maintain and enhance their skills and abilities as directors as well as ensuring that their knowledge and understanding of the business remains current.	✓	The Board frequently includes opportunities for directors' education and development through meetings/presentations with investees, industry experts, the Corporation's management, and external sources.		
Code of Business Conduct and Ethics				
- The Board has adopted a written code of business conduct and ethics which is designed to promote integrity and to deter wrongdoing, and is applicable to all directors, officers and employees of the organization.	✓	The Board has approved a conflict of interest and code of conduct policy for the directors and employees of the organization.		
- The code specifically addresses the following issues: • All conflicts of interest: • Protection and proper use of corporate assets and opportunities; • Confidentiality of corporate information; • Fair dealings and practices (with security holders, customers, suppliers, competitors and employees); • Compliance with legal and regulatory matters; and • Reporting of illegal or unethical behaviour.	✓	The policies address the issues below. The Board has also approved a specific corporate privacy policy. The Board has approved a policy by which illegal or unethical behavior may be reported directly to the Corporate Executive or the Board.		
- The Board monitors compliance with the code.	✓	The Governance and HR Committee receives information on an ongoing basis related to compliance as well as results of the annual directors and employees self-declaration process.		

	Already In Compliance	Change Required For Compliance	No Change in Practice – Additional Disclosure Required
- Waivers from the code are solely granted by the Board or a Board committee.	✓ Any waivers from the code are requested of the Governance and HR Committee, and ultimately approved by the Board.		
- Any material departure from the code is considered to be a "material change" within the meaning of National Instrument 51-102 Continuous Disclosure Obligations, and is treated as required by this national instrument.	✓ The Board has approved an "Ethics Advisor" who would be responsible to ensure that material departure from the code is addressed before a "material change" as defined in 51-102 takes place.		
Nomination of Directors			
- The Board has appointed a nominating committee which is composed entirely of independent directors.	✓ The Governance and Human Resources Committee has been delegated responsibility for identifying potential nominees for appointment to the Board and for the ongoing assessment of individual directors. The Committee includes three members of the Board, all of whom are independent. The Shareholder has ultimate responsibility for the appointment of Board members.		
- The nominations committee has a written charter.	✓ The Governance and HR Committee has Board approved Terms of Reference.		
- This charter clearly establishes the following: • The committee's purpose; • The committee's responsibilities (including the responsibility to identify and recommend to the board individuals qualified to become new board members); • Requirements as to member qualification; • Procedures for member appointment and removal; • Structure of the committee; • Operation of the committee (including authority to delegate to individual members of subcommittees); and • Manner of reporting to the board.	✓ The Governance and HR Committee Terms of Reference includes the required elements.		
- The nominating committee has been given the authority to engage and compensate any outside advisor that it determines necessary to carry out its duties.	✓ The Board of Directors and its Committees have the ability to obtain the advice of external advisors if, in their opinion, it is necessary to properly discharge their duties and responsibilities.		
- Prior to nominating or appointing any individuals as directors, the Board has adopted processes to consider what competencies and skills the board should possess as a whole, and to assess what competencies and skills each existing director possesses.	✓ The Governance and Human Resources Committee has established a profile of skills and competencies for directors and criteria to assess the skills and competencies of new and existing directors.		
- Prior to recommending new directors to the Board, the nominating committee considers what competencies and skills the Board considers necessary for the Board to possess as a whole: the nominating committee assesses what competencies and skills the Board considers the competencies and skills each new nominee will bring to the boardroom.	✓ The Governance and Human Resources Committee considers the skills and competencies necessary for the Board as a whole and for individual directors.		
- Attention is given to the personality and other skills of each director, as these contribute to the determination of the boardroom dynamic.	✓ The Governance and Human Resources Committee gives attention to director personality and the interpersonal skills which would contribute to an effective boardroom dynamic for the corporation.		
- The Board considers what is the appropriate size of the Board, with a view to facilitating effective decision making.	✓ The Governance and Human Resources Committee has been delegated responsibility to assess and advise the board annually with respect to the size, composition and required qualifications of directors.		

	Already In Compliance	Change Required For Compliance	No Change in Practice – Additional Disclosure Required
Compensation			
• The Board has appointed a compensation committee which is composed entirely of independent directors.	✓ Investment Saskatchewan's shareholder, Crown Investments Corporation, sets the compensation and expense reimbursement rates of Crown directors.		
• The compensation committee has a written charter.	✓ The Governance & HR Committee has Board approved Terms of Reference.		
• This charter clearly establishes the following: • The committee's purpose; • The committee's responsibilities; • Requirements as to member qualification; • Procedures for member appointment and removal; • Structure of the committee; • Operation of the committee (including authority to delegate individual members and subcommittees); and • Manner of reporting to the Board.	✓ The Governance and HR Committee Terms of Reference includes the required elements.		
• The compensation committee has been given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	✓ The Board of Directors and its committees have the ability to obtain the advice of external advisors if, in their opinion, it is necessary to properly discharge their duties and responsibilities.		
• The compensation committee has assumed responsibility for the following issues: • The review and approval of corporate goals and objectives relevant to CEO compensation; • The evaluation of the CEO's performance in respect of these goals/objectives; • The determination and recommendation to the Board of the CEO's compensation level; • The recommendation to the board of non-CEO officer and director compensation, incentive plans and equity based plans; and • The review of executive compensation disclosure before the issue of publicly disclosed the information.	✓ The Governance and HR Committee has assumed responsibility for the items specified. The Audit and Finance Committee is responsible for review of executive compensation disclosure prior to public disclosure.		
Regular Board Assessments			
• The Board is regularly assessed regarding its effectiveness and contribution. The assessment considers the committee's charter.	✓ The Board has adopted and annual evaluation process to determine its effectiveness.		
• Each individual director is regularly assessed regarding of his or her effectiveness and contribution. This assessment considers the individual's position description(s) and the competencies and skills they are expected to bring to the Board.		Effectiveness and contribution of individual directors will be assessed annually starting in 2007.	

Notes

CORPORATE INFORMATION

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